

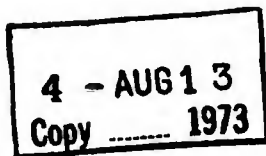




Supplemental Committee on Transportation and Aeronautics

FINANCIAL ASSISTANCE TO AMTRAK

HEARINGS
BEFORE THE
SUBCOMMITTEE ON
TRANSPORTATION AND AERONAUTICS
OF THE
COMMITTEE ON
INTERSTATE AND FOREIGN COMMERCE
HOUSE OF REPRESENTATIVES
NINETY-THIRD CONGRESS



FIRST SESSION

ON

H.R. 8351

A BILL TO AMEND THE RAIL PASSENGER SERVICE ACT OF 1970, AS AMENDED, TO PROVIDE FINANCIAL ASSISTANCE TO THE NATIONAL RAILROAD PASSENGER CORPORATION, AND FOR OTHER PURPOSES

JUNE 12 AND 13, 1973

Serial No. 93-22

Printed for the use of the
Committee on Interstate and Foreign Commerce



U.S. GOVERNMENT PRINTING OFFICE

97-894 O

WASHINGTON : 1973

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

HARLEY O. STAGGERS, West Virginia, *Chairman*
ROBERT H. McDONALD, Massachusetts
JOHN JARMAN, Oklahoma
JOHN E. MOSS, California
JOHN D. DINGELL, Michigan
PAUL G. ROGERS, Florida
LIONEL VAN DEERLIN, California
J. J. PICKLE, Texas
FRED B. ROONEY, Pennsylvania
JOHN M. MURPHY, New York
DAVID E. SATTERFIELD III, Virginia
BROCK ADAMS, Washington
W. S. (BILL) STUCKEY, Jr., Georgia
PETER N. KYROS, Maine
BOB ECKHARDT, Texas
RICHARDSON PREYER, North Carolina
BERTRAM L. PODELL, New York
HENRY HELSTOSKI, New Jersey
JAMES W. SYMINGTON, Missouri
CHARLES J. CARNEY, Ohio
RALPH H. METCALFE, Illinois
GOODLOE E. BYRON, Maryland
WILLIAM R. ROY, Kansas
JOHN BRECKINRIDGE, Kentucky

SAMUEL L. DEVINE, Ohio
ANCHER NELSEN, Minnesota
JAMES T. BROYHILL, North Carolina
JAMES HARVEY, Michigan
TIM LEE CARTER, Kentucky
CLARENCE J. BROWN, Ohio
DAN KUYKENDALL, Tennessee
JOE SKUBITZ, Kansas
JAMES F. HASTINGS, New York
JAMES M. COLLINS, Texas
LOUIS FREY, Jr., Florida
JOHN WARE, Pennsylvania
JOHN Y. MCCOLLISTER, Nebraska
RICHARD G. SHOUP, Montana
BARRY M. GOLDWATER, Jr., California
NORMAN F. LENT, New York
H. JOHN HEINZ III, Pennsylvania
WILLIAM H. HUDNUT III, Indiana
SAMUEL H. YOUNG, Illinois

W. E. WILLIAMSON, *Clerk*

KENNETH J. PAINTER, *Assistant Clerk*

Professional Staff

WILLIAM J. DIXON
ROBERT F. GUTHRIE

CHARLES B. CURTIS
LEE S. HYDE

SUBCOMMITTEE ON TRANSPORTATION AND AERONAUTICS

JOHN JARMAN, Oklahoma, *Chairman*
JOHN D. DINGELL, Michigan
BROCK ADAMS, Washington
BERTRAM L. PODELL, New York
RALPH H. METCALFE, Illinois
JAMES HARVEY, Michigan
DAN KUYKENDALL, Tennessee
JOE SKUBITZ, Kansas
RICHARD G. SHOUP, Montana

KF27
15587
19738

CONTENTS

	Page
Hearings held on—	
June 12, 1973.....	1
June 13, 1973.....	197
Text of H.R. 8351.....	2
Statement of—	
Ailes, Stephen, president, Association of American Railroads.....	197
Bennett, Donald, Chief Counsel, Federal Railroad Administration, Department of Transportation.....	62
Bowman, Richard, Office of the Secretary, Department of Transportation.....	62
Haswell, Anthony, chairman, National Association of Railroad Passengers.....	225
Lewis, Roger, president, National Railroad Passenger Corp. (Amtrak).....	11
Medvecky, Robert, vice president and general counsel, National Railroad Passenger Corp. (Amtrak).....	11
Moloney, William M., vice president, law, Association of American Railroads.....	197
Moot, Robert C., vice president, finance, National Railroad Passenger Corp. (Amtrak).....	11
Morris, I. Sewell, vice president, Association of American Railroads.....	197
Rush, Henri F., Jr., Deputy Administrator, Federal Railroad Ad- ministration, Department of Transportation.....	62
Thompson, Robert F., president, Vermont Transit Co., Burlington, Vt., and in behalf of the National Association of Motor Bus Owners (NAMBO).....	214
Tomlinson, J. Richard, executive vice president, National Railroad Passenger Corp. (Amtrak).....	11
Additional material submitted for the record by—	
Association of American Railroads:	
Attachments to Mr. Ailes prepared statement:	
Additional annual payments (to the 11 participating rail- roads, excluding Penn Central, needed to cover full costs.....	202
Attachment A—Proposed revision to legislation.....	204
Breakdown by railroad of the additional annual payments.....	206
Letter dated June 13, 1973, from Mr. Ailes to Chairman Jarman re avoidable cost.....	209
Friends Committee on National Legislation, Ross Capon, statement.....	345
Interstate Commerce Commission, Hon. George M. Stafford, Chair- man, statement.....	337
MacDonald, Joseph V., Farmingdale, N. Y., letter dated December 26, 1972 to Congressman Brock Adams, with attachments.....	348
National Association of Railroad Passengers:	
Attachments to Mr. Haswell's prepared statement:	
Correspondence between Mr. Haswell and Senator Hartke re Penn Central revision of Amtrak compensation.....	325
ICC finance docket No. 27353, verified statement and argu- ment of intervenors, National Association of Railroad Passengers and the Rail Foundation—May 17, 1973.....	305
Letter dated June 13, 1973, from Mr. Haswell to Congressman Richard G. Shoup re relative energy consumption per passenger mile of bus, rail, auto, and air.....	306

National Railroad Passenger Corp. (Amtrak):	
Major delay categories of the Amtrak system—March 1972 through April 1973.....	47
On time performance of the Amtrak system—March 1972 through April 1973.....	33
Table I.—National Railroad Passenger Corporation: 1974 fiscal year financial plan covering operations.....	17
Table II.—Amtrak source and application of funds.....	18
Table III.—Amtrak capital commitments and capital program..	19
Transportation Department:	
Amtrak ridership figures for May 1972 to March 1973.....	185
Compensation paid by Amtrak to railroads for use of their facilities..	193
ICC Finance Docket No. 27353, John W. Ingram's verified statement and order—March 16, 1973.....	182
Report to Congress on the Rail Passenger Service Act of 1970—March 1973.....	71
United Transportation Union, J. R. Snyder, national legislative director, statement.....	343

ORGANIZATIONS REPRESENTED AT HEARINGS

Association of American Railroads:

Ailes, Stephen, president.
 Moloney, William M., vice president, law.
 Morris, I. Sewell, vice president.

National Association of Motor Bus Owners (NAMBO), Robert F. Thompson.

National Association of Railroad Passengers, Anthony Haswell, chairman.

National Railroad Passenger Corp. (Amtrak):

Lewis, Roger, president.
 Medvecky, Robert, vice president and general counsel.
 Moot, Robert C., vice president, finance.
 Tomlinson, J. Richard, executive vice president.

Transportation Department:

Bennett, Donald, Chief Counsel, Federal Railroad Administration.
 Bowman, Richard, Office of the Secretary.
 Rush, Henri F., Jr., Deputy Administrator, Federal Railroad Administration.

Vermont Transit Co., Robert F. Thompson, president.

FINANCIAL ASSISTANCE TO AMTRAK

TUESDAY, JUNE 12, 1973

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
SUBCOMMITTEE ON TRANSPORTATION AND AERONAUTICS,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to notice, in room 2322, Rayburn House Office Building, Hon. John Jarman (chairman) presiding.

Mr. JARMAN. The subcommittee will be in order, please.

This morning we open hearings on H.R. 8351, a bill to amend the Railroad Passenger Service Act of 1970 as amended to provide financial assistance to the National Railroad Passenger Corp. and for other purposes. We anticipate no more than 2 or 3 days of hearings on the legislation and then expect to resume our subcommittee deliberations on the bills relating to the northeast railroad problems.

H.R. 8351 was introduced by Chairman Staggers and Mr. Devine at the request of the Department of Transportation.

In addition to an open authorization for Amtrak, the bill has provisions for the following:

- (1) Eliminating review by the Interstate Commerce Commission of discontinuance of service required by the basic system;
- (2) Clarification of the ICC jurisdiction over adequacy of Amtrak service to exclude those aspects relating to the quantity of service;
- (3) Increasing Amtrak's loan guaranty authority to \$500 million;
- (4) Changing the date of Amtrak's annual report to Congress to March 15 to coincide with the reporting date prescribed for the DOT and the ICC;
- (5) Authorize Amtrak the power of eminent domain with respect to private property not owned by a railroad in order to acquire the property it needs to operate efficiently.

Without objection the text of H.R. 8351 shall be placed in the record at this point.

[Testimony resumes on p. 10.]

[The text of H.R. 8351 follows:]

93RD CONGRESS
1ST SESSION

H. R. 8351

IN THE HOUSE OF REPRESENTATIVES

JUNE 4, 1973

Mr. STAGGERS (for himself and Mr. DEVINE) introduced the following bill;
which was referred to the Committee on Interstate and Foreign Commerce

A BILL

To amend the Rail Passenger Service Act of 1970, as amended,
to provide financial assistance to the National Railroad
Passenger Corporation, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 305 of the Rail Passenger Service Act of 1970
4 (45 U.S.C. 545) is amended by adding a new subsection
5 to read as follows:

6 “(c) (1) When the Corporation cannot acquire by
7 contract, or is unable to agree with the owner of property
8 as to the compensation to be paid for, any right-of-way,
9 land, or other property (except right-of-way, land, or other
10 property of a railroad or property of a State or local gov-

1 ernment or other public agency) required for the construc-
2 tion of tracks or other facilities necessary to provide inter-
3 city rail passenger service, it may acquire the same by the
4 exercise of the right of eminent domain in the district court
5 of the United States for the district in which the property
6 is located, or in one such court in the event a single property
7 is located in two districts.

8 “(2) The Corporation shall file with the complaint, or
9 at any time before judgment, a declaration of taking con-
10 taining or having annexed thereto—

11 “(A) A statement of the public use for which the
12 property is taken.

13 “(B) A description of the property taken sufficient
14 for the identification thereof.

15 “(C) A statement of the estate or interest in the
16 property taken.

17 “(D) A plan showing the property taken.

18 “(E) A statement of the amount of money estimated
19 by the Corporation to be just compensation for the prop-
20 erty taken.

21 ‘(3) Upon the filing of the declaration of taking and of
22 the deposit in the court, to the use of the persons entitled
23 thereto, of the amount of the estimated compensation stated
24 in the declaration, the property shall be deemed to be con-
25 demned and taken for the use of the Corporation and title

1 shall vest in the Corporation in fee simple absolute, or in any
2 lesser estate or interest as specified in the declaration, and the
3 right to just compensation for the property shall vest in the
4 persons entitled thereto. Just compensation shall be ascer-
5 tained and awarded in the proceeding and established by
6 judgment. The judgment shall include, as part of the just
7 compensation awarded, interest from the date of taking to
8 the date of payment at the rate of 6 per centum per annum
9 on the amount finally awarded as the value of the property
10 on the date of taking. Interest shall not be allowed, however,
11 on the amount deposited in the court.

12 “(4) Upon the application of the parties in interest,
13 the court may order that the money deposited in the court,
14 or any part thereof, be paid forthwith for or on account of
15 the just compensation to be awarded in the proceeding. If
16 the compensation finally awarded exceeds the amount of the
17 money received by any person entitled to compensation, the
18 court shall enter judgment against the Corporation for the
19 amount of the deficiency.

20 “(5) Upon the filing of a declaration of taking, the
21 court may fix the time within which, and the terms upon
22 which, the parties in possession are required to surrender
23 possession to the Corporation. The court may make such
24 orders in respect of encumbrances, liens, rents, taxes, assess-

1 ments, insurance, and other charges, if any, as shall be just
2 and equitable.”

3 SEC. 2. Section 308 (b) of the Rail Passenger Service
4 Act of 1970 (45 U.S.C. 548 (b)) is amended by striking
5 the date “January 15” and inserting in lieu thereof the date
6 “March 15”.

7 SEC. 3. Section 402 of the Rail Passenger Service Act
8 of 1970 (45 U.S.C. 562) is amended by adding a new
9 subsection (d) to read as follows:

10 “(d) (1) If the Corporation and a railroad are unable
11 to agree upon terms for the sale to the Corporation of prop-
12 erty (including interests in property) owned by the railroad
13 and required for the construction of tracks or other facilities
14 necessary to provide intercity rail passenger service, the Cor-
15 poration may apply to the Commission for an order establish-
16 ing the need of the Corporation for the property at issue and
17 requiring the conveyance thereof from the railroad to the
18 Corporation on reasonable terms and conditions, including
19 just compensation. Unless the Commission finds that—

20 “(A) conveyance of the property to the Corpora-
21 tion would significantly impair the railroad’s ability to
22 carry out its obligations as a common carrier, and

23 “(B) the obligations of the Corporation to provide
24 modern, efficient, and economical rail passenger service
25 can adequately be met by the acquisition of alternative

1 property (including interests in property) being offered
2 for sale to the Corporation by the railroad, or available
3 to the Corporation by the exercise of its authority under
4 section 305 (e) of this Act,

5 the need of the Corporation for the property shall be deemed
6 to be established and the Commission shall order the con-
7 veyance of the property to the Corporation on such reason-
8 able terms and conditions as it may prescribe, including just
9 compensation.

10 “(2) The Commission shall expedite proceedings under
11 this subsection and, in any event, issue its order within one
12 hundred and twenty days from receipt of the application
13 from the Corporation. If just compensation has not been de-
14 termined on the date of the order, the order shall require, as
15 part of just compensation, interest at the rate of 6 per centum
16 per annum from the date prescribed for conveyance until
17 just compensation is paid.”

18 SEC. 4. Section 404 (b) of the Rail Passenger Service
19 Act of 1970 (45 U.S.C. 564 (b)) is amended by—

20 (1) striking paragraph (3) thereof and inserting
21 in lieu thereof the following:

22 “(3) (A) Subject to the conditions prescribed in
23 subparagraphs (B) and (D) of this paragraph, if at any
24 time after June 30, 1973, the Board of Directors of the
25 Corporation determines that the continuation of a train

1 operated in the basic system on June 30, 1973, will
2 impair the financial ability of the Corporation adequately
3 to provide other intercity rail passenger service, the
4 Corporation may discontinue the train. In making its
5 determination, the Board shall consider the existing
6 and potential patronage and profitability of the service,
7 and the importance of the service to other intercity rail
8 passenger service being provided by the Corporation.

9 “(B) If the discontinuance of a train between two
10 points designated by the Secretary in his ‘Final Report
11 on the Basic National Rail Passenger System’ of Jan-
12 uary 28, 1971, as points between which intercity pas-
13 senger trains shall be operated would reduce the fre-
14 quency of service between the two points below one
15 train per day in each direction (if daily trains were
16 scheduled between the points on June 30, 1973), or
17 below three trains per week (if trains were scheduled
18 only three times per week between the points on
19 June 30, 1973), the discontinuance must be approved
20 by the Secretary.

21 “(C) In deciding whether to approve the discon-
22 tinuance of a train under subparagraph (B) of this sub-
23 section, the Secretary shall consider the importance of
24 service being provided by the Corporation; the ade-
25 quacy of other transportation facilities serving the

1 same points; the existing and potential patronage
2 and profitability of the service; the relationship of the
3 public benefits from a continuation of the service to the
4 impairment of the Corporation's ability adequately to
5 provide other intercity rail passenger transportation;
6 and the need for rail passenger service over the route
7 as part of a balanced transportation system. The deci-
8 sion of the Secretary shall not be reviewable in any
9 court.

10 “(D) At least forty-five days prior to the discon-
11 tinuance of a train under this subsection, the Corporation
12 shall mail to the Governor of each State in which the
13 train in question is operated and post in every station,
14 depot, or other facility serviced thereby notice of the pro-
15 posed discontinuance. The Corporation may not discon-
16 tinue the train if, at least fifteen days prior to the date
17 specified for discontinuance, a State, regional, or local
18 public agency requests continuation of the service and,
19 within ninety days following the date specified for dis-
20 continuance, agrees to reimburse the Corporation for a
21 reasonable portion of any losses associated with the con-
22 tinuation of service beyond the notice period.”; and

23 (2) striking the words “paragraph (3)” in para-
24 graph (4) and inserting in lieu thereof “paragraph
25 (3) (D)”.

1 SEC. 5. Section 601 of the Rail Passenger Service Act of
2 1970 (45 U.S.C. 601) is amended (1) by striking the
3 words "There is authorized to be appropriated to the Secre-
4 tary in fiscal year 1971, \$40,000,000, and in subsequent fiscal
5 years a total of \$225,000,000, these amounts" in subsection
6 (a) and inserting in lieu thereof the words "There are au-
7 thorized to be appropriated to the Secretary such amounts as
8 necessary,"; and (2) by striking the words "There is author-
9 ized to be appropriated to the Secretary \$2,000,000 an-
10 nually," in subsection (b) and inserting in lieu thereof the
11 words "There are authorized to be appropriated to the Secre-
12 tary such amounts as necessary, to remain available until
13 expended,".

14 SEC. 6. Section 602 of the Rail Passenger Service Act
15 of 1970 (45 U.S.C. 602) is amended (1) by inserting
16 after the word "prescribe," in subsection (a) the words
17 "with the approval of the Secretary of the Treasury,"; (2)
18 by changing the first sentence of subsection (d) to read as
19 follows: "The aggregate unpaid principal amount of securi-
20 ties, obligations, or loans outstanding at any one time, which
21 are guaranteed by the Secretary under this section, may not
22 exceed \$500,000,000."; and (3) by adding a new subsec-
23 tion (g) to read as follows:

24 "(g) Notwithstanding any other provision of this Act,
25 a guarantee may not be made of any security, obligation, or

1 loan, the income from which is not included in gross income
2 for the purposes of chapter I of the Internal Revenue Code
3 of 1954.”

4 SEC. 7. Section 801 of the Rail Passenger Service Act
5 of 1970 (45 U.S.C. 641) is amended to read as follows:

6 **“SEC. 801. ADEQUACY OF SERVICE.**

7 “(a) The Commission is authorized to prescribe such
8 regulations as it considers necessary to assure that the quality
9 of service and accommodations offered passengers on board
10 trains and at other facilities used in intercity rail passenger
11 service is adequate, taking into account the safety regula-
12 tions applicable to that service. The Commission may not
13 prescribe regulations applicable to the Corporation that relate
14 to the scheduling or frequency of service, or the number or
15 type of cars in a train, or that otherwise conflict with the
16 service characteristics established by the Secretary for the
17 basic system.

18 “(b) Any person who violates a regulation issued under
19 this section shall be subject to a civil penalty of not to ex-
20 ceed \$500 for each violation. Each day a violation continues
21 shall constitute a separate offense.”

Mr. JARMAN. Our witnesses this morning are Mr. Roger Lewis, president, National Railroad Passenger Corp., Amtrak, and Mr. Henri Rush, Deputy Administrator of the Federal Railroad Administration.

First, we welcome Mr. Lewis for his testimony. As is customary, we ask witnesses to submit the written text of their remarks for the hearing record and then summarize orally those remarks for the committee in the interest of conserving time. The subcommittee is very glad to have you back with us, Mr. Lewis, and we are all keenly interested in the challenging problems that you as head of Amtrak are handling.

We realize the shortness of the period of time which you had to produce results, and under the most difficult of circumstances. I can state personally I have ridden the Amtrak trains several times during the last year and a half. I watched your advertising campaign carefully on the national media.

I think in many respects Amtrak is doing an exceptionally good job in the short period of time you had in which to try to get organized, to try to produce results in this mode of transportation, where the railroads for so long have shown, very little interest in passenger travel in the country, concentrating instead on freight. As a result, with the development of other modes of transportation, particularly air travel, the public simply is not thinking in terms of rail passenger travel as yet.

So, as we welcome you to the subcommittee again to hear your testimony as to Amtrak's present and future plans, we are very cognizant of the very difficult problem that you are facing, and we will listen respectfully with interest to your testimony.

STATEMENT OF ROGER LEWIS, PRESIDENT, NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK); ACCOMPANIED BY ROBERT C. MOOT, VICE PRESIDENT-FINANCE; ROBERT MEDVECKY, VICE PRESIDENT AND GENERAL COUNSEL; AND J. RICHARD TOMLINSON, EXECUTIVE VICE PRESIDENT

Mr. LEWIS. Thank you very much. Mr. Chairman, Chairman Staggers and members of the subcommittee.

I have with me at the table this morning Mr. Richard Tomlinson, executive vice president of Amtrak, and Mr. Robert Medvecky, vice president and general counsel, and behind me, I am accompanied by Robert Moot, our vice president of finance.

We appreciate this opportunity to present Amtrak's financial plan for fiscal year 1974, and to discuss pending legislation for authorization of appropriations. H.R. 8351, introduced by Mr. Staggers and Mr. Devine on June 4, incorporates the amendments to the Rail Passenger Service Act proposed by the Department of Transportation. The Department's legislative proposals are in turn based on the recommendations made by the Department in its March report on Amtrak.

On July 1, at the start of fiscal year 1974, Amtrak will enter a new phase of its mission under our basic statute, the Rail Passenger Service Act of 1970. Amtrak has now completed its first 2 years of operation. In amendments to the act passed by Congress last year, the Department of Transportation was given the task of assessing the Amtrak operations thus far and providing recommendations as to the future shape of Amtrak. The DOT report provides what I regard as an objective and careful evaluation. Although the report details the problems we have faced and still face, the report's conclusion reaffirms my

belief that we have been making progress and that the concept behind the Amtrak legislation is sound.

During our first 2 years we have taken over the responsibility for rail service operations, assembled a staff, and made a number of train, station, and service improvements. The yearly decline in train ridership that continued for decades has already been reversed on many of our routes and started on the uptrend. Total revenues have been increased and, despite built-in increases in labor costs, our deficits have been reduced.

During the preliminary experimentation period, which is now coming to a close, we have been collecting train ridership and revenue data. At the same time we have made schedule and train frequency adjustments on many routes in attempts to stimulate ridership increases. In addition, fares have been selectively changed on many routes in an attempt to maximize revenues as well as to equalize the fare structure nationally. This has involved decreases as well as increases, including fare reductions for a number of routes with below-average ridership. A number of studies were also undertaken on the market potential of routes and of segments within routes. The data and projections generated were supplied to DOT, which also undertook independent studies.

Although the conclusions for the first 2 years are far from final, we are encouraged by most of the results. However, it has been recommended (1) that two routes in the basic systems be eliminated—one of these is to be rerouted; (2) that adjustments be made in two other basic system routes, and (3) that one experimental route be discontinued. The financial plan we are presenting for fiscal year 1974 is based in part on the savings postulated by these recommendations.

The amounts budgeted by the administration for Amtrak's fiscal year 1974 authorization and appropriation are consistent with this recommended route structure and with our financial plan. Especially concerning our projected net cash loss from operation, it is a tight budget. Nevertheless, I am personally convinced that, making due allowance for the planning assumptions, the plan represents a good goal for management to try to achieve. The upward pressures on costs are continuous, and I believe in the value of such goals in helping to keep costs under control.

But while the plan is tight on the operating budget, it does provide room for considerable investment in improved equipment and fixed plant, and for continued development of service improvements.

Amtrak's financial plan covering operations in fiscal year 1974 appears in table I [see p. 17].

As can be seen from table I, our projected net cash operating deficit for fiscal year 1974 is \$95.6 million. This compares with an anticipated deficit of \$124 million during the current fiscal year, ending June 30, 1973, and an actual deficit of \$152.3 million during fiscal year 1972. Several things should be noted about the fiscal year 1974 plan. The plan assumes a revenue increase of approximately \$35 million—\$17 million from additional ridership and \$18 million from fare increases, service added in fiscal year 1973 and additional postal revenues. For the purposes of developing the plan, it was assumed that service on two of the routes in the basic system, and part of a third, could be eliminated as of July 1.

Although the experimental, non-basic-system, service between Washington and Parkersburg, W. Va., has been ended, daily trains are again operating over that segment of the route between Washington and Cumberland as a new service. These trains are being operated in anticipation of substantial financial support from the States of Maryland and West Virginia, which is to be arranged by July 1, under section 403(b) of the act. Meanwhile, the State of Maryland has given assurances of some partial financial support for operation during the interim period, through June 30.

The financial plan for fiscal year 1974 includes funds for the present shared-cost services in Massachusetts, Illinois, and Pennsylvania, operated under section 403(b) of the act, but not for the Maryland-West Virginia service, as the details have not yet been settled. Although talks with several other States are continuing, at present we have no other formal requests pending for such shared-cost trains. The shared-cost service in Pennsylvania is being terminated next month, Pennsylvania having withdrawn its support.

The financial plan does not make allowances for contingencies regarding payments to be made to the railroads. At this time a year ago, Amtrak was presenting its plan for fiscal years 1972 and 1973. We were then faced with contingencies in two areas. First, Penn Central was contending that it should have an additional \$27 million per year from Amtrak as reimbursement for the costs of operating the northeast corridor. Second, there were built-in wage increases that we were not sure we could absorb. As it worked out, Amtrak settled the \$27 million claim with an agreement to pay Penn Central an additional \$7 million to represent the avoidable costs of operating the northeast corridor. We were able to offset this cost, as well as the added costs of labor and materials, with reductions elsewhere and with higher revenues.

The fiscal year 1974 program before you is subject to a similar contingency, which might have very serious impact. The contract between Amtrak and the 13 participating railroads contains a provision that allows either party to notify the other at any time after May 1, 1972, that it wishes to negotiate as to a redetermination of the basis for compensating the railroad. Penn Central alone served such a notice.

I might say parenthetically, Mr. Chairman, that since this testimony was written and delivered to the committee we have received a letter from the Association of American Railroads indicating the intention of the other railroads to file similar notice.

Although a number of discussions between Penn Central and ourselves have been held over the past year with respect to Penn Central's notice, both parties indicated dissatisfaction and the discussions did not proceed to the point where it would have been possible for Amtrak to include allowances for additional charges.

The contract provides that if, within 90 days after the date of notice, the parties are unable to agree, the matter could be referred to the Interstate Commerce Commission on joint petition at the request of either of the parties. Such a petition was filed with the ICC on May 11, 1973.

However, on April 11, 1973, acting pursuant to an order from Judge Fullam, the ICC had already commenced a rulemaking proceeding on

the subject of Amtrak railroad compensation. In this proceeding the ICC is to advise Judge Fullam of a formula by June 15, 1973. This date, too, has been changed and it is now June 25 rather than June 15, 1973.

Penn Central is proposing before the ICC a reimbursement of costs by Amtrak on a fully shared or fully allocated basis plus an allowance for return on investment. If the ICC adopts this proposal, Amtrak's costs will be very substantially increased. There is a further danger that this formula, if imposed on Amtrak, could be applied to the other railroads, resulting in further very substantial additional increases in cost. Amtrak is vigorously opposing the Penn Central position. Amtrak takes the view that the question of compensation for services cannot be considered apart from the quality and value of the services received from the railroads. It is further Amtrak's position that the Congress intended, in enacting the Rail Passenger Service Act of 1970, that paying only the avoidable cost of passenger service would be the theory of the compensation arrangements between Amtrak and the railroads.

Since the Commission's present action strikes at the heart of Amtrak's relations with the railroads, Amtrak is also taking strong exception to the Commission's rulemaking procedures. Amtrak believes that the amount of payments to the railroads must be tied to the cost, value, and quality of the service provided and that the compensation arrangements must include guarantees of performance in the form of penalties for poor performance and incentives to motivate and reward superior performance by a railroad. The matters are of such fundamental significance that they cannot be disposed of by a simple change in the basis of compensation without a thorough examination of the principles, the history of performance by the railroads and a consideration of other aspects of the entire operational contract.

Except as it may be subject to the contingencies and uncertainties I have mentioned, however, the Amtrak financial plan as it now stands is a feasible one, and we intend to make every effort to operate within it. The contingencies I have mentioned could have a serious impact, especially concerning any fundamental change in basic contract terms for railroad services. But, to the extent possible, we would attempt to accommodate any necessary changes by adjusting funds. If necessary, we would submit a supplementary request.

Table II [see p. 18] puts out projected funding requirement in the context of our total program, including our capital program, as well as other sources of funds. For purposes of comparison, the actual results for fiscal year 1972 and the expected results for fiscal year 1973 are also presented.

The plan for fiscal year 1974 shown in table II assumes an appropriation of \$93 million, which is the amount budgeted by the Administration. A \$93 million Federal grant, when combined with \$3.9 million in available cash projected for the beginning of the period, the proceeds from our existing federally guaranteed loan authority, and the railroad capital payments, will provide a total of \$251.6 million in available funds for fiscal year 1974. Funding at this level will permit an expanded capital-improvement program as well as operations on the scale planned.

Table III [see p. 19] provides more information on Amtrak's fiscal year 1974 capital program, which totals \$150 million. In addition, table III shows comparative amounts for fiscal years 1972 and 1973.

The Amtrak capital program for fiscal year 1974 continues some activities underway during the current fiscal year but breaks some new ground as well. Purchases of used conventional cars and locomotives from the railroads will have been essentially completed during the present fiscal year, but expenditures for car refurbishments and engine rebuilding will continue in fiscal year 1974, although at a diminished level.

During fiscal year 1974, Amtrak expects to make its first purchase of new passenger cars. We anticipate that the \$15 million budgeted for this purpose will enable us to acquire about 50 new cars. These cars would represent the beginning of a regular replacement program for the older Amtrak cars.

Amtrak now owns and operates on the Boston-New York City route two 5-car TurboTrains acquired from United Aircraft under the purchase option of the Federal Railroad Administration. We have also purchased two 4-car TurboTrains built by United Aircraft in Canada, and we have leased two 5-car French turbine-powered trains. These latter four high-powered, self propelled trains will be placed in revenue service in the Chicago area this summer. The capital budget for fiscal year 1974 earmarks \$25 million for the acquisition of additional high-performance, self-powered trainsets for use in corridor service.

Amtrak's program for the acquisition of new locomotives continues to be very important for reduction of operating costs and increasing the reliability of train operation. Amtrak is about to put into service its first new locomotives, 40 diesel-electric units, ordered during the current fiscal year and with the first deliveries due this month. In fiscal year 1973 we also ordered 15 new all-electric locomotives for corridor service in electrified territory. These will be the first electric locomotives built for heavy intercity passenger service in 30 years.

The \$27 million allocation in our fiscal year 1974 budget will enable us to acquire 60 more diesel-electric units. As each new locomotive will be more powerful than the average units to be replaced, as well as more reliable, we can achieve a reduction in the total number of engines needed to operate the system.

The fiscal year 1974 program also allocates \$50 million to right-of-way improvements. These are to be concentrated in high-travel-density areas with high ridership. Particularly, we hope to make improvements where high-speed equipment is assigned, so that the passenger benefits will be amplified by permitting even higher speeds and shorter running times. Improvement to tracks and related facilities can improve the ride and schedule speeds of the conventional trains as well.

Although, improving track on a wide scale can take large amounts of money, selective improvements permitting better running times and smoother rides can increase revenues and reduce deficits. We believe that track standards promulgated by the Federal Railroad Administration can provide a basis for a realistic apportionment of improvement and maintenance costs above the level the railroads are required to supply.

In addition to providing for right-of-way work, the capital budget also includes \$16 million for other improvements to fixed plant. This will be devoted mainly to station and terminal improvements, and for facilities needed for our computerized reservations and information system. The amount will permit several stations to be replaced outright, as well as including parking facilities. The amount also

provides for an expanded program of improvement and remodeling of existing stations.

The reservations system entails regional communications centers that can be reached by the public on a toll-free basis. The first of these was built at Bensalem, Pa., and went into operation with the computers in Washington on April 15, marking the inauguration of the new system for actual use by Amtrak's customers in the Philadelphia area. After expansion of the Bensalem center's service area to include the region from Washington to Boston and Montreal—which is scheduled for completion by July 8—the second regional center, at Jacksonville, Fla., will be phased into the system.

By the end of 1973 all of the eastern half of the United States is to be served. Completion of the system expansion nationwide will take place during 1974.

Amtrak will also continue its close liaison with the Department of Transportation's advanced research, especially as systems or sub-systems under development at the Department approach the revenue-service application stages.

In my opinion, the fiscal year 1974 financial plan, taken as a whole, is tightly drawn, but it can provide for a year of solid improvements. In summary, the plan contemplates the appropriation of \$93 million. The act presently authorizes \$47.9 million that has not yet been appropriated. Accordingly, to permit the appropriation of \$93 million, an additional authorization of \$45.1 million will be necessary.

In addition to making provision for a fiscal year 1974 authorization, H.R. 8351 incorporates other legislative recommendations proposed by the Department of Transportation. This includes an increase of the loan guarantees available for Amtrak capital development purposes to a total of \$500 million.

The Department's legislative proposals have been presented in submissions to the Congress, and I believe that every member of the subcommittee has a copy of the Department's section-by-section analysis of the provisions incorporated in H.R. 8351. Amtrak is on record as supporting the Department's legislative recommendations.

There is one issue whose dimensions have become fully apparent only since the issuance of the DOT report on Amtrak in March, and that is the issue to which I have already referred concerning the basis of compensation to the railroads for operating the Amtrak trains. This issue is not dealt with in the Department's proposals or in H.R. 8351, and I would respectfully urge the subcommittee to consider an amendment that would clearly establish the Congressional intent concerning the basis for such compensation.

The potential increases in Amtrak's costs under a fully allocated cost formula area of alarming proportions. We believe that it was the congressional intent in enacting the Amtrak legislation that reimbursement to the railroads would be based on the costs that, if the Rail Passenger Service Act of 1970 had not been enacted, would have been avoided by each railroad if the railroad had discontinued the service under section 13a of the Interstate Commerce Act.

The magnitude of the potential increase in Amtrak's costs under the formula urged by the railroads became apparent during Senate testimony on May 16 by Mr. Stephen Ailes, president of the Association

of American Railroads. In this testimony, he expressed the view that all of the participating railroads were of the opinion they were not being adequately reimbursed for the services rendered Amtrak and expressed the opinion that this deficiency for the railroads other than Penn Central was approximately \$52 million annually. Also, his testimony developed the fact that Penn Central was thinking in terms of \$60 or \$65 million so that the total for all the railroads might be well over \$100 million per year.

There is no doubt in my mind that cost increases of this magnitude would severely cripple if not destroy Amtrak's chances of achieving a reasonable balance between costs and revenues. They would contribute nothing to improvements in service. Such additional heavy costs would require equally heavy subsidies perhaps indefinitely. This would render continued operation of intercity passenger train service at its present level more difficult, greatly limit our ability to carry out long-term system improvements, and perhaps rule out forever any thoughts of permanent system expansion, either in terms of more trains or new routes.

I am alerting the committee to what I believe is the seriousness of the situation, and I urge the committee to act.

That completes my statement, Mr. Chairman.

[Tables I, II, and III, referred to follow:]

TABLE I.—National Railroad Passenger Corporation 1974 Fiscal Year Financial Plan Covering Operations

Route		[Millions of dollars]	
Long haul:		Profit/(loss)	
New York/Florida	-----	(2.9)	
Chicago/Los Angeles	-----	(0.5)	
Chicago/San Francisco	-----	(2.8)	
Chicago/Seattle	-----	(3.6)	
Chicago/New Orleans	-----	(1.0)	
Seattle/San Diego	-----	(1.2)	
New York/Washington, D.C./Chicago	-----	(3.3)	
Los Angeles/New Orleans	-----	(1.7)	
Chicago/Cincinnati/Washington, D.C./Newport News ¹	-----	(1.1)	
Southern Montana ²	-----	(2.8)	
Chicago/Houston	-----	(3.4)	
Chicago/Florida	-----		
New York/Washington, D.C./Kansas City	-----		
Subtotal	-----	(24.3)	
Short haul:			
Northeast Corridor ³	-----	(5.0)	
Chicago/Quincy ⁴	-----	0.2	
Chicago/St. Louis	-----	(0.1)	
Los Angeles/San Diego	-----	(0.2)	
Seattle/Portland	-----	(0.1)	
New York/Buffalo	-----	(3.1)	
Chicago/Carbondale	-----	(0.6)	
Chicago/Detroit	-----	(0.2)	
Chicago/Milwaukee	-----	(2.0)	
Washington, D.C./Parkersburg ¹	-----		
Subtotal	-----	(11.1)	

International and special:	
Vancouver	(0.3)
Montreal	(0.5)
Mexico—via Fort Worth (triweekly)	(0.4)
Subtotal	(1.2)
Total, routes	(36.6)
Semifixed:	
Terminal and other	(28.5)
Railroad and Amtrak G. & A.	(41.4)
Total, semifixed	(69.9)
Total, operating	(106.5)
Less depreciation	10.9
Net cash total	(95.6)
¹ Combined data for Chicago/Cincinnati and Cincinnati/Washington, D.C./Newport News routes.	
² Experimental routes.	
³ Includes section 403(b) service on Boston/Springfield and Philadelphia/Harrisburg routes.	
⁴ Section 403(b) service.	

TABLE II.—AMTRAK SOURCE AND APPLICATION OF FUNDS

[Dollars in millions]

	Fiscal year—		
	1972 actual	1973 plan	1974 plan
Cash at beginning of period	\$12.2	\$3.2	\$3.9
Source of funds:			
Federal grants	77.6	107.8	93.0
Federal Government guaranteed loans	17.0	83.0	100.0
Railroad capital payments	65.0	65.1	54.7
Total	159.6	255.9	247.7
Application of funds:			
Net cash loss from operations ¹	152.3	124.0	^a 95.6
Capital expenditures:			
Equipment and facilities	21.4	126.1	100.0
ROW and corridor improvement			50.0
Subtotal, capital expenditures	21.4	^a 126.1	^a 150.0
Accrued liabilities	(5.1)	5.1	
Repayment, prior loan			4.7
Total	168.6	255.2	250.3
Cash at end of period	3.2	3.9	1.3

¹ The net cash loss from operation is derived as follows:

	Fiscal year—		
	1972	1973	1974
Revenues.....	\$152.7	\$179.4	\$210.8
Less costs.....	306.2	307.8	317.3
Loss.....	153.5	128.4	106.5
Less depreciation.....	1.2	4.4	10.9
Net cash loss from operations.....	152.3	124.0	95.6

¹ Assumes all route changes are effective July 1, 1973.

² Assumes that expenditures are equal to commitments for planning purposes.

TABLE III.—AMTRAK CAPITAL COMMITMENTS AND CAPITAL PROGRAM

(Dollars in millions)

	Fiscal year 1972 actual	Fiscal year 1973 planned	Fiscal year 1974 planned
Passenger cars:			
1. Purchase self-propelled high performance cars for corridor service ¹		\$36.3	\$25.0
2. Purchase new conventional cars.....			15.0
3. Purchase used cars.....	\$16.3	3.0	
4. Refurbish used cars.....	13.5	25.8	13.0
Subtotal.....	29.8	65.1	53.0
Motive power:			
1. Purchase new locomotives.....		28.5	27.0
2. Purchase used locomotives.....	7.9		
3. Overhaul used locomotives.....		4.0	4.0
Subtotal.....	7.9	32.5	31.0
ROW improvements.....	.2	.5	² 50.0
Facility improvements.....	1.3	5.2	16.0
Research and development.....		5.0	
Subtotal.....	1.5	10.7	66.0
Total.....	³ 39.2	108.3	150.0

¹ Includes related facilities.

² Right-of-way improvement funded from railroad capital payment of \$54,700,000.

³ Cash outlays through June 30, 1972, amounted to \$21,400,000.

Mr. JARMAN. Mr. Lewis, I think you have made a good statement which points out the difficulties and certainly expresses optimism for the operating future, which the subcommittee is certainly delighted to hear.

In regard to your reference concerning costs, let me ask particularly with regard to Penn Central this question: You spoke to Penn Central's request for Amtrak, as I understand, to reimburse the company on a fully shared basis rather than an avoidable loss formula.

Do I understand correctly Amtrak now pays Penn Central 15 percent above cost tied entirely to the passenger service?

Mr. LEWIS. Partly; we pay Penn Central about \$140 million a year for the service it renders to Amtrak. The cost-reimbursement formula in the contract is for solely related costs, that is, costs providing passenger service which the railroad would not incur if it did not have these passenger services, plus a 5-percent allowance for costs which could not be readily identified. All railroads get that 5 percent.

But, last year, the Penn Central presented to us a request for special consideration for avoidable costs in the corridor, where the passenger traffic is much more dense than it is on the rest of the railroad.

We have increased the avoidable cost allowance for that part of the Penn Central system from 5 percent to approximately 15 percent, Mr. Chairman.

Mr. JARMAN. This is more money than Amtrak is paying the other railroads?

Mr. LEWIS. In this corridor case, yes.

Mr. JARMAN. Well, in asking, or in contending for the payment on the fully shared basis, isn't Penn Central essentially asking Amtrak to share all costs of facilities used for both freight and passenger service?

Mr. LEWIS. Yes; the philosophic approach of shared costs or allocated cost is that some formula is agreed upon by the parties in which the share of the total bill, whatever it is, is borne in proportion by the various using components.

Mr. JARMAN. Well, then, under that approach, would they not, or would Penn Central not then be making a profit on service where they have traditionally lost money?

Mr. LEWIS. I believe that is a fair conclusion to draw from it, yes.

Mr. JARMAN. And the sum total of that would be that it would be a subsidy from the American taxpayers?

Mr. LEWIS. Yes, sir.

Mr. JARMAN. Mr. Chairman.

Chairman STAGGERS. Yes, if I may have my traditional 5 minutes?

Mr. JARMAN. We are pleased to have the chairman of the full committee, Mr. Staggers, sitting in with us.

Chairman STAGGERS. Thank you, Mr. Chairman. Mr. Lewis, we are glad to have you here to give an accounting. I notice on the last page you say,

If you had to give this \$60 or \$65 million to Penn Central and the others, you would give well over \$100 million per year for service,

and you made a statement something about 13(a) just previous to that. Wouldn't we have some reactions by these railroads if they were put back under 13(a)?

Mr. LEWIS. I don't know what the reaction would be.

Chairman STAGGERS. I know it would be a big reaction.

Mr. LEWIS. Yes; there would be a big reaction.

Chairman STAGGERS. If each railroad would have to go back to the old 13(a) proceedings and do the job it was originally set up to do and I am sure, particularly, they could still get offsets as they needed to, but they wouldn't automatically do as they have been doing for years.

Mr. LEWIS. Mr. Chairman, I am not really qualified to comment on what the reaction would be. I think in conversations with the members of the railroad industry, I think their feeling is that under the act they paid to get out of the passenger business and it would be very difficult for them to go back in.

Their payment to Amtrak, in exercising the option to withdraw from passenger service, totals about \$200 million and some provision would have to be made for that.

Chairman STAGGERS. They want more money back from you, don't they?

Mr. LEWIS. They want higher cost reimbursement.

Chairman STAGGERS. So far as I remember, the act wasn't really made to be that way. They were to pay to get rid of it, but also help to run Amtrak?

Mr. LEWIS. That was my understanding.

Chairman STAGGERS. This disturbs me very much—the lack of co-operation of the railroads with you and your organization.

Mr. LEWIS. Yes.

Chairman STAGGERS. There are two or three things that I want to mention briefly. In regard to repairs, I would like to know about these cars put in railroad shops. How long do they ordinarily stay in for repairs?

Mr. LEWIS. I think they are in there 6 or 7 weeks.

Chairman STAGGERS. That is not the information I received.

Mr. LEWIS. It would vary, Mr. Chairman. We are using six shops.

Chairman STAGGERS. I have understood they have been full right along and are at the direction of the railroad's foreman as to how they repair them. Is this true?

Mr. LEWIS. Mr. Chairman, there are two kinds of work done here. The railroads under the contract are obligated to perform the regular maintenance for these cars and they do this under the contract and they control that work.

The work I thought you were referring to was the complete tear-down, overhaul, and rebuild, which we do under separate contracts, both with railroads, two or three railroads, and with private companies such as Pullman Standard or the Rohr Corp., in California.

I was referring to the second case we control input of the work.

Chairman STAGGERS. About how much does this repair cost?

Mr. LEWIS. We will break it down into two categories.

Chairman STAGGERS. I understand it runs from about \$3 to \$5 million a month?

Mr. LEWIS. Yes, in that area.

Chairman STAGGERS. On your board of directors, how many men do you have on it?

Mr. LEWIS. There are provisions for 12, and at the moment there is a vacancy, so actually there are 11 members on the board now.

Chairman STAGGERS. Who is the vacant member? What position?

Mr. LEWIS. The consumer representative.

Chairman STAGGERS. That is the most important one we have in America and it has not been filled for a long time. To me, this is a disgrace. It hits right at the heart of this matter.

Mr. LEWIS. Yes.

Chairman STAGGERS. I don't understand why it has not been filled. I don't know whether it is by design, or what it is. I am certainly not accusing you of this, but it looks to me if we have the consumers of America represented, they should be on that board, and it was intended that way. There is also an imbalance of unions and railroad presidents, on that board.

Mr. LEWIS. Well, the act provides that the President appoint, with approval of Congress, nine members, one of which must be the Secretary of Transportation, and it also provides that the common share owners—and the common shares are owned by railroads—have a right to nominate three directors.

Chairman STAGGERS. That is true. I am now looking at the law here. I just wondered, though, at the imbalance. You have one union man and three railroad presidents. We thought that we were trying to make this thing a little even, but somehow it got out of kilter somewhere along the line.

I am looking at these others that have railroad experience and so forth on this list, and I am just wondering how you are running your railroads when you don't have a consumer on there that has the interest of the people at stake. My next question is, have you tried the self-propelled cars at all?

Mr. LEWIS. Yes.

Chairman STAGGERS. And are they successful?

Mr. LEWIS. We have two types. We have the electric driven, which is the Metroliner, and we have had good experience with that, it is a very good train.

We also have two trains with the turbine powerplant type in operation, which we bought from United Aircraft under the FRA agreement.

We are also planning this summer to put into service two more of these turbine powered trains, from United Aircraft. We are also leasing two turbine powered trains from France, which have been operating very very successfully over there for 2 years, and we are quite excited about those prospects.

Chairman STAGGERS. Isn't that quite a commentary on America: we have to go to Canada and France to do something in which we have been the pioneers? It shows there is something going on in America which is just not quite right.

Now, I don't blame you, but to me, I think if we rescinded this act and put it back under the railroads and took out 13(a), I think we would solve the passenger problem right now, that each one of them would get busy running their railroads and make money.

You had some routes down there, one going through my district, that you said didn't make money, and I have written to you at different times as to why they didn't make money, and had people looking at it, and you have it now going into Cumberland and I have more complaints than ever before. Many people want to ride it.

At times this train has been so crowded they couldn't get on and yet Amtrak says it doesn't make money and is going in debt \$400,000 per year. This is a most absurd thing. Somebody does not want the train to run.

At different times, on hot days, there is no cooling system and passengers tell me they try to go between cars to get cooled off, which is a dangerous thing to do.

I hope that our investigating committee has the power to check on what is going on in Amtrak and I think we do have power since we furnish the money. We are going to put investigators down there to see what is going on in management and where the money is going, and how it is going, because I don't believe there is efficiency.

I think you are a fine man and I have always felt that, and I believe you know that, but I also believe there is something going on that needs to be taken a look at. We had GAO auditing your books, as you know, for sometime and are getting a report, and will be getting reports right along, because I want to know what is going on. I think we should.

Another thing is you have in the bill an open-end authorization. You know we are not going to give you an open-end. We never have. From what the President suggested, is this enough, coming from downtown, their suggestions?

Mr. LEWIS. Well, it is enough for fiscal year 1974, yes, for our plan. In other words, the things I have outlined in this program can all be accomplished with the money that has been requested in, let's say, in the administration bill. They went one step further by asking for \$500 million loan authority, which I have in mind they intend to parcel out over an extended period of time. But the original program asking for \$93 million in grant funds presupposes that we will have \$100 million in loan authority and be able to use about \$50 million of our railroad payments for facilities. We can operate this program for fiscal year 1974 within those amounts, yes.

Chairman STAGGERS. Now what if the railroads don't prevail on their costs?

Mr. LEWIS. Mr. Chairman, as I indicated, I welcome this opportunity to say a word about it. I think this is the most serious threat to the whole Amtrak concept.

Chairman STAGGERS. I do, too, and I think it ought to be put in this law and if I have anything to do about it, we are going to try to do something about it. You ought to be given a fair chance to do your job and I blame the railroads for an awful lot of failure.

I want to ask one or two more questions. How many cars are in service today?

Mr. LEWIS. We own or lease, that is control, most of them are owned, about 1,600, and we actually operate about 1,100.

Chairman STAGGERS. How many of these are refurbished cars?

Mr. LEWIS. We have refurbished 830 cars. About half of them have had the complete teardown and heavy overhaul I referred to earlier.

Chairman STAGGERS. How many do you have in the railroad shops?

Mr. LEWIS. In work?

Chairman STAGGERS. Yes.

Mr. LEWIS. I will have to get that number, Mr. Chairman, but it is several hundred.

[The number of 213 cars as of the week of June 12, 1973, was subsequently received for the record.]

Chairman STAGGERS. I know it is. It is pretty high. I was going to ask about how long you have had this problem?

Mr. LEWIS. We are getting them out at about the rate of 15 or 20 a week. Our production has risen in the last few months and we are now getting satisfactory results from both the railroad shops, and there are only three, and the private shops we are using, which in a sense compete with each other.

Chairman STAGGERS. I can understand the limit here because I understood the problems you have. These cars have been in there a lot

longer than they should have been and there is a holdup here, and you cannot run without cars.

Now, how many cars are in dead storage?

Mr. LEWIS. I don't think we have any in dead storage. We have some that are not available to us because they are in what they call bad order and then we have cars that are in shops for overhaul, but we have purchased no cars for storage.

Chairman STAGGERS. Well, I wouldn't think you would. I wouldn't want to hear about that anyhow, and I am sure no Member of Congress would.

Thank you, Mr. Chairman. I would like to just say this in closing. I think Roger Lewis is a gentleman and a man who is trying to do his job, and I think he has had great obstacles put in front of him. I believe it is Congress' obligation to help remove those obstacles, or to change this back to the railroads and say "run them," one or the other, because I believe America does deserve adequate railroad passenger service.

We have almost reached a limit on the cars now, and if we keep growing at the rate of 10 or 11 million a year we will run out of space, so it has to come back and we might as well start on this now and do a good job. If it takes more money to do a good job, I would be willing to vote for it, and argue it on the floor, but I want a good job done.

I say that anybody that looks ahead and has any vision of what the future is going to be certainly could foresee we are going to have some kind of rail transportation, we need it and we might as well start now in building it for the future.

I still want you to take a look at the Cumberland route and see what is going on up there, particularly when many people can't get on it in some places. I just don't know what you are going to do about it, but when it leaves here, I think it is filled up every time.

Why it should not be running and making money is a thing I can't understand. I have had so many complaints. I have a complete file—complaints, not only from there, but from all over America, saying this should be done or that should be done. I can understand their personal problems that they encountered.

Thank you, and thank you, Mr. Chairman.

Mr. JARMAN. Mr. Harvey?

Mr. HARVEY. Thank you, Mr. Chairman.

Mr. Lewis, we welcome you here this morning. Somebody over on this side of the aisle had a real wild idea inasmuch as this subcommittee has been holding hearings dealing with the Northeast railroad problem and inasmuch as it appears that we are about to create some sort of quasi-public corporate entity to somehow resolve those problems.

The thought occurs that, "Rather than creating a separate corporate entity, why don't we use Amtrak which is already in existence?"

My question to you is what would your reaction be if this committee extends to you that authority and gives to you that responsibility of taking over a corporate entity to solve the problems of the Northeast railroad?

Mr. LEWIS. Mr. Harvey, I would like to feel that Amtrak has a better handle on the passenger train problems first.

I think the question of the Northeast corridor is a very, very grave question for the whole country. It is the biggest part of the Amtrak system, although our services are a relatively small part of

the total Penn Central enterprise. It seems to me that if there is to be any question at all of the availability of that corridor, that the Congress has to intercede and be sure it survives.

So it just means that if we have reached that stage now then the question is if the Government should lease or buy that corridor, and I would think that it is Congress' judgment to make. But I think the main thing is it has to be preserved. I think we can work with any agency that the Government established for that purpose.

Mr. HARVEY. We have a serious passenger problem in the Northeast corridor. I don't understand, looking at table I of your statement in relation to the Northeast corridor, how the Metroliner can be losing money? It is full every day or just about every day.

Mr. LEWIS. The Metroliner does not lose money on a cash basis. I want to make a distinction here between conventional private business, profit and loss accounting, where the use of a property and interest on the money and those things are charged to the costs. I am not talking about that. I am talking about the actual revenue versus the actual cost that Amtrak pays to Penn Central, plus a part of its own expenses for advertising and the like. On the basis of that cash book-keeping, the Metroliner does make money.

Now, our reports show that in the corridor, as a whole, we are operating about as many conventional trains as we are Metroliners, and they show that even on a cash basis we are losing money on the corridor service overall.

Mr. HARVEY. Well, table I shows that the Northeast corridor had a \$5 million loss, is that correct?

Mr. LEWIS. Yes; but we should also point out that the Northeast corridor includes the segment from New York to Boston, as well as the segment from Washington to New York, where the Metroliners operate. But the Metroliner operation, on a cash basis, does make money. This is really what gives us so much hope for Amtrak, because whenever you put good equipment on and run a good service, you get the ridership that will make money.

Mr. HARVEY. From our standpoint here, if you can't make money in the Northeast railroad passenger service, I don't know where you can make it.

Mr. LEWIS. Well, we do make it here and if we had this kind of equipment all the way to Boston, and did not have the conventional trains, we could make money on the entire corridor on the same basis.

Mr. HARVEY. Well, sir, I don't want to take too much time here. I was interested as I read, flashing over the bill here quickly, that you do request, as Chairman Staggers pointed out, open end authorization and, of course, we have not granted those. But then at the same time, if I read the bill correctly, in section 4, it provides for discontinuation of lines by Amtrak without going to ICC, and giving you that authority for discontinuance, is that correct?

Mr. LEWIS. Well, we support the Department's position on that, and inasmuch as they determine, or review and pass on, the programming and planning for Amtrak the question of route additions and reductions should be handled by the same agency.

I have not got a strong view about that, but I have a strong view it is highly desirable from Amtrak's position to have one agency with which to deal. There are complications from our point of view of deal-

ing with the Department of Transportation with respect to certain matters, and then with the ICC with respect to certain other matters which are interconnected.

Mr. HARVEY. Well, I understand that, yet I didn't understand the Secretary's letter in which he spoke of the need for being able to discontinue these lines on the theory that it was reviewed annually. When you have an open end authorization, however, it means there is no annual review by this committee or Congress. The only review would be by the Appropriations Committee, of course.

Mr. LEWIS. Well, they maintain a very close surveillance over our operations from month to month, and they are not only, I think, raising questions of discontinuance, but raising questions of new experimental service, and it is a continuing process. I think the point is only made that it is desirable, and less confusing for everybody, if it is centralized in one agency rather than two.

Mr. HARVEY. I would think that Congress would be reluctant to see that take place. We have not discussed it, but I think this is true.

Thank you very much, and thank you, Mr. Chairman.

Mr. JARMAN. Mr. Podell?

Mr. PODELL. Thank you, Mr. Chairman.

Mr. LEWIS. I would like to welcome you. I think I heard you say that you own a total of 1,600 cars and 1,100 are running. That means about a third of all of the cars are out of commission. Do you think that is an extraordinary amount of cars to be inoperative?

Mr. LEWIS. I do indeed. The reason for it, Mr. Podell, is that the only equipment available to Amtrak when we came into business on May 1, 1971, was equipment owned and operated by railroads on that date. Now, except for the Metroliners and except for these few turbo-trains I have mentioned, I don't think there was a single car in the American inventory of passenger cars that was built after 1956. Many of them were built 10 or 15 years before that.

Now, there was a further problem for us, because, during the discussion about the Amtrak legislation, not knowing how many cars would be needed, the railroads frankly discontinued most of the heavy maintenance on many of these cars. So when we took over, we took over a fleet of old cars that had had minimal maintenance. This is not true for all railroads, but it was true of a large number of cars.

Mr. PODELL. In other words, is it safe to assume therefore, that one of the problems you encountered was the fact that the railroad, over the years prior to your taking over the responsibility of passenger service, had completely neglected to improve and upgrade their passenger cars as a general rule?

Mr. LEWIS. I wouldn't be that strong. I think the record speaks for itself. No new cars were bought and the level of maintenance had deteriorated. Of course, this means, concerning the 500 cars we are talking about that are out of service, that part of them are out of service because they just break down, and we have to fix them up. There will also be a certain amount of that after we catch up on the deferred maintenance, but it should not be as high as what we now experience.

Then, of course, we have our heavy overhaul program where we have several hundred cars tied up, and in time that will be behind us also.

Mr. PODELL. Is it safe to assume that had the railroads kept up their maintenance and refurbished their cars and taken care of their passen-

ger service, you would not have one-third of your cars in the shop today, isn't that a safe assumption?

Mr. LEWIS. Yes.

Mr. PODELL. I notice on table I, as I examine each of your routes, you seem to have lost money on every one of them. Is there any route that is profitable?

Mr. LEWIS. In answering Mr. Harvey, I indicated on a cash basis the Metroliner service is profitable. The other services are not.

Mr. PODELL. Is it safe to assume, therefore, that in view of your 2 years of fine management and every attempt to conserve and improve, in view of the fact you are losing money today with all of the benefits that the Government has accrued to you, that you are going to lose money from now on?

Mr. LEWIS. I don't think that is an assumption we should make at all, Mr. Podell. I think that many of our difficulties are difficulties of history. Some of them are difficulties of transition. After all, this system was substantially reduced and a new organization established to run these services.

I think if we will look at the efficiency of railroad transportation versus bus transportation or versus airline transportation, particularly at a time when we see fuel costs rising and getting scarce, there is no reason at all that if the same conditions are applied, the same distribution of Federal subsidy, for example, is applied to railroad service as is applied to bus and air service, that we can't do as well.

Mr. PODELL. I imagine those dogs of cars sold to Amtrak by the railroads have caused people to use Greyhounds?

Mr. LEWIS. Yes; those cars have to be replaced.

Mr. PODELL. You indicated that the common stock of Amtrak is all owned by railroads; is that right?

Mr. LEWIS. Yes.

Mr. PODELL. How much money has the Congress appropriated up to date at this point?

Mr. LEWIS. \$40 million originally, and \$170 million for 1972-73, or \$210 million in appropriated funds, that is, grant funds. In addition to that, of course, we have guaranteed loan authority.

Mr. PODELL. Which you have borrowed at this point how much?

Mr. LEWIS. We have borrowed as high as \$75 million and the outstanding loan balance is \$34 million.

Mr. PODELL. Now your requirements are an additional how much?

Mr. LEWIS. Our grant request is \$93 million, Mr. Podell, and the loan request, the authorization, is to go from \$200 million to \$500 million.

Mr. PODELL. Holding back on the loan for a moment, because we must assume, I don't know how many loans you are going to make you are going to be able to repay without the Government having to make good on its guarantee, but that \$300 million, don't you think it is odd, that the Government is putting in \$300 million, that is just for 3 years, and you will be back next year for more, but \$300 million giving you loan authority for \$500 million, possibly it may be more, we may have to pay on our guarantee, for goods, equipment, all owned by the railroads, who I believe, in their mismanagement, caused this in the first instance, isn't that odd?

All we are doing actually is pouring money into the railroad company, because they own it and it is theirs. When push comes to shove,

they will take the trains back and we, the taxpayers, don't have a nickel. We don't have anything. Isn't that truly what is happening?

Mr. LEWIS. No; I don't think that it would be fair to state it in just that way.

Mr. PODELL. Is there something I said that was not true?

Mr. LEWIS. First off, we own the equipment, Amtrak owns the equipment. We operate over the railroads and under the present contract we are only paying them the avoidable cost for rendering us service.

So I am very worried about the contingency I mentioned, which would, in effect, add \$125 million to our costs without in any way giving us an opportunity to improve our service.

I am very concerned about that. But, to be accurate at the moment, we own the equipment. We have the right to use the tracks for 25 years until 1996.

Mr. PODELL. Do you know the value, Mr. Lewis, of a railroad train without a railroad track?

Mr. LEWIS. We have the rights—the railroads are obligated to run these trains for us.

Mr. PODELL. But we don't own very much, because you would have a heck of a job selling at auction a railroad train without any track to run it on, you know.

The reason I asked the question is this: You alluded to this in your earlier statement. Don't you think it makes sense, at least in those areas of rail transportation, the Northeast corridor we are particularly concerned about because of pending bankruptcy, don't you think it makes sense for the Government to take over the responsibility of running those railroads in the Northeast corridor and, at the same time, take over the package?

I hate to use that awful word "nationalization," because it frightens everybody. But doesn't it make sense, if we are going to pay for it, we are going to run it, we are going to pour taxpayers' funds into it, and let at least the taxpayers say "By golly, if I want to spend all of that money let me, say, own a piece of it."

Wouldn't that make sense? If not, give me your thinking.

Mr. LEWIS. Well, I am really not competent or qualified to express a judgment about the total railroad business and whether or not it should be nationalized or not. My job is to run Amtrak and build Amtrak up. The Penn Central, for example, is a \$2 billion a year business and our billings to Penn Central are \$140 million, so Amtrak's operations are really only a rather small part of the total.

What I think is extremely important, Mr. Podell, is for Amtrak to have the capability to run a good service now, with the equipment that is available, that is to say an ontime, clean railroad. We are having difficulty doing it under our present contract. But I think it is more important if you look down the road for the rest of this decade, it is terribly important to the public interest that we have the freedom to develop that corridor.

In other words, the Department has made a study which shows that it would be quite inexpensive, about \$500 million, for example, to improve and equip the corridor between Washington and Boston so that you could run a service that is 4¾ hours to Boston; 2 hours to New York; and 2½ hours from New York to Boston.

Mr. PODELL. You would have to build a parallel track, wouldn't you?

Mr. LEWIS. No, you would not. But you would have to be sure that the scheduling of the use of the track gave preference to the passenger trains.

Mr. PODELL. All right. A direct answer to my question now, do you feel you prefer not to give an answer or you are unable to give one?

Mr. LEWIS. I just don't feel I am an expert in these questions of public policy, whether nationalization is an answer. I would point out there is a problem of divided use of a common facility, which nationalized railroads in other countries don't face. The boat runs all of the freight and all of the passenger trains.

Over here we are trying to have two organizations, one which owns the track and operates the freight, and one of which was created by Congress to operate the passenger service operating over the same tracks where for safety reasons there can only be one boss.

Mr. PODELL. That creates problems. Well, I guess we agree on that.

I would like to ask this one question. You have improved the service on the Metroliner very well. At the same time, that is only a fraction of the trains you run from here to New York, isn't it?

Mr. LEWIS. About half.

Mr. PODELL. You have lowered the fares on the conventional trains to make it more attractive to people. That is a good idea.

Have you tried one of those conventional trains recently?

Mr. LEWIS. Yes, Sunday night.

Mr. PODELL. Would you care to give us an opinion as to the comfort of your ride?

Mr. LEWIS. It was excellent. I was on the train that went from Boston to Washington, D.C. It was a train with refurbished equipment on it. It was fine. But I know you are not asking me about the refurbished equipment, but asking me about the old, old cars, and I have been on those, and that is not a good ride.

Mr. PODELL. Did they know you were coming on the train?

Mr. LEWIS. Yes.

Mr. PODELL. I imagine they must have baked a cake. But they didn't know I was coming when I took one. I made notes. The air conditioning didn't work; lights didn't work, bathroom doors didn't close, and the toilets, if you can get to them because of the odor, they didn't flush. That was on the conventional train.

I thought I might bring that to your attention. Something should be done in that area as well.

Mr. LEWIS. I agree with you completely.

Mr. PODELL. I have used up more than my time. Thank you.

Mr. JARMAN. Mr. Shoup?

Mr. SHOUP. Thank you, Mr. Chairman.

Mr. LEWIS, in looking at some of your projected loss for 1974, one of them seems to stand out. The Chicago to San Francisco service compared to Chicago-Los Angeles service. Los Angeles service shows \$1 million loss and San Francisco \$2.8 million loss.

Is this attributable to ridership alone, or to differences in contracts with participating lines?

Mr. LEWIS. It is entirely ridership and there are two factors there which I would like to mention. The first is the ridership beyond Denver is light. It is also true during the winter we only operate 3 days a week.

Mr. SHOUP. On which line?

Mr. LEWIS. On the Chicago-San Francisco service. The service is daily throughout the year on the Chicago-Los Angeles route.

Mr. SHOUP. You are saying then that the Los Angeles service, because it operates daily, has a greater ridership and you lose less?

Mr. LEWIS. Well, the Los Angeles line serves a larger geographical area and a larger population. But I think a part of it is attributable to the fact that we have been operating only 3 days a week on the San Francisco line. We have now gone to the daily service during the summer and if it builds up this summer, we will probably continue it.

Mr. SHOUP. Probably there are two things. Mr. Lewis, that contribute to your success or failure; they are efficiency of operations, and ridership. I don't think we will go into efficiency here and speak of your operations. As to ridership, the public is looking for service and comfort. Mr. Podell has pointed out a few problems as did the chairman.

I might pass on to you, though that in the past year I have had very little mail complaining of service to my particular State. I notice here in the chart furnished by your organization, that the on-time performance of a long-distance line, or lines, went from better than 70 percent in March 1972, down to 35 percent in March 1973. There has been a steady decline, although I see it has held constant since December and this spring.

What do you attribute that to? I was looking at the individual ones you furnished. Why do we see this lack of performance? [See charts on pp. 33, 47.]

Mr. LEWIS. I think I should tell you that the criteria is severe. In other words, an on-time train has to arrive within less than 6 minutes of the published timetable time.

Mr. SHOUP. That is on all lines?

Mr. LEWIS. In all lines, yes, regardless of the length of the service. Of course, for a train that is going to be operating for 25 or 30 hours, that is a very small tolerance. But we do apply it. The on-time performance, I am sorry to say, last month, and that was the month of May, was the worst we have had since we have been in business.

As that chart shows, the on-time performance has been steadily declining on the long-haul and on the conventional corridor service and on the Metroliner and turbotrain service.

The reasons are diverse. The principal cause is the "slow" orders, orders issued by the railroad to restrict the speed under certain conditions to repair tracks and so forth.

There is also freight train interference, or occasionally something we are responsible for, like holding a train for a passenger connection of some sort.

Mr. SHOUP. That would be all passenger related?

Mr. LEWIS. Yes. Generally speaking, that is right.

But railroad-caused delays are a matter of considerable concern to us. I think it goes back to the cost question to some extent, because we have to have some way of providing an incentive to the railroads for superior performance or penalties for inferior performance, which the present contract does not include.

Mr. SHOUP. Now, do I understand the present contract there is no penalty for performance?

Mr. LEWIS. There is no penalty for performance. The contract says that the service should be operated efficiently with due regard for the safety and the convenience of the passengers. It also provides that

the tracks shall be maintained at a level which will permit operation of trains at the same scheduled performance as was experienced on May 1, 1971, when we took over.

Now the difficulty there is, of course, that the requirements for passenger service in terms of right-of-way quality are more severe than they are for freight trains, and there has been an erosion in the quality of the track.

Mr. SHoup. I understand that you are negotiating a new contract. Perhaps there should be more rigid requirements included.

I think you stated that the equipment is maintained, and operational maintenance is in the contract, and is performed by the railroads?

Mr. LEWIS. That is correct.

Mr. SHoup. Then equipment malfunctioning would be a responsibility of the railroads?

Mr. LEWIS. If it was a failure to maintain it. In all fairness, I have to point out if we furnished them a bad car and it could not be maintained, the responsibility rests with us for furnishing the car rather than with them for faulty maintenance.

But much of it is due to inadequate maintenance.

Mr. SHoup. Well, it is rather difficult from these charts to break it down.

Mr. LEWIS. Yes.

Mr. SHoup. I notice there is much difference between rail lines.

Mr. LEWIS. There is a great difference, right.

Mr. SHoup. Is this difference because you assign different equipment to these lines, or does this reflect on the operations of the lines themselves?

Mr. LEWIS. It reflects on the operations of the lines themselves, primarily. I must say that in defense of some of our railroads, our participating members, some always did a good job and are doing a good job now for us. The performance is quite uneven among the 13 separate railroads.

Mr. SHoup. Then we have slow orders and this relates to the portion written into the contract on maintenance of the line?

Mr. LEWIS. A slow order could be put on for all kinds of reasons. Hurricane Agnes nearly tore up the whole railroad system in the Northeast.

Mr. SHoup. Primarily?

Mr. LEWIS. It is primarily a matter of bringing the track back into condition by working on it and during the time between the damage and the repairs the speed is restricted.

Mr. SHoup. Servicing in stations, is that the responsibility of the railroads?

Mr. LEWIS. Yes.

Mr. SHoup. I notice there is quite a bit of divergence here between the lines.

Mr. LEWIS. This is the railroad's responsibility.

Mr. SHoup. But there is no place you can tell them they are going to service within a certain time, criteria?

Mr. LEWIS. The criteria is the operation of the train in accordance with schedules, arriving and leaving at certain times, and to do the necessary work to make it possible.

Mr. SHOUR. The point is they have not done it.

Mr. LEWIS. In some cases they have not.

Mr. SHOUR. As I can look through the report, I see only one railroad that seems to be outstanding considering the number of on-time and non-on-time arrivals.

If I may go down to freight interference, again there is nothing in the contract. Are you planning to put anything in the contract specifically along these lines?

Mr. LEWIS. Well, this question of freight train interference is complicated. There are cases in railroad operations, a number of them, where freight train interference might be justified. For example, maybe in an operation in an area where you had a siding that would take five cars, which would be enough to accommodate that particular passenger train, but would not accommodate a 100-car freight train, it would be sensible to put the passenger train aside and get the freight train out of the way, not only for that segment, but for all of the operations that that train might later interfere with.

The difficulty on freight train interference, from our point of view, is that somebody must dispatch the trains that go on that track, both freight or passenger. These decisions are made in the field on a local basis.

I feel, and I have felt, that to try to legislate that and say, "You will always give preference to the passenger train, or never let a freight train interfere," just is not a real-world approach.

Mr. SHOUR. Didn't you earlier, speaking to Mr. Podell, state you think there should be top priority for passenger trains, and that is the only way to successfully run them?

Mr. LEWIS. It is a matter of priority, and I think priority is a good thing, yes; but I would like to just say that I think the important thing is to tell the railroad to run the train on time.

Now there is sufficient slack in most schedules to take care of some freight train interference. The interference we are talking about is the extraordinary or unusual type. We don't think there is any excuse for that. We think that the schedules are sufficient to take care of the normal train operations.

I think it would be better to have some system that is enforced by penalties or premiums for on-time performance, rather than to deal with the question of what the reason for the difficulty might be and legislate at that particular point.

Mr. SHOUR. I think the only thing you would have to look at, Mr. Lewis, is whose responsibility is it for the non-on-time performance.

Mr. LEWIS. Yes; but all of the things we have on these charts, of which you have a copy, are things within the control of the railroad. Some of the other difficulties are ours, and we keep them separate.

Mr. SHOUR. Mr. Chairman, I have referred to several charts in my questioning of Mr. Lewis. I would ask unanimous consent that they be printed in the record.

Mr. JARMAN. Without objection, it is so ordered.

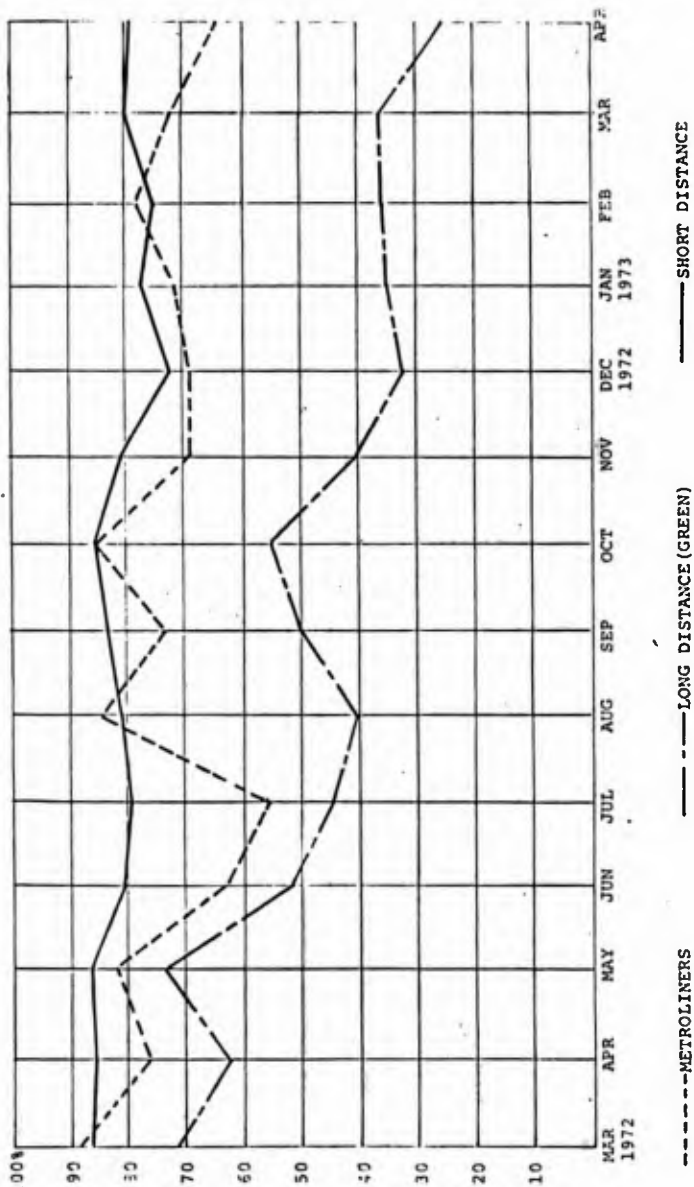
[Testimony resumes on p. 60.]

[The charts referred to follow:]



ON TIME PERFORMANCE

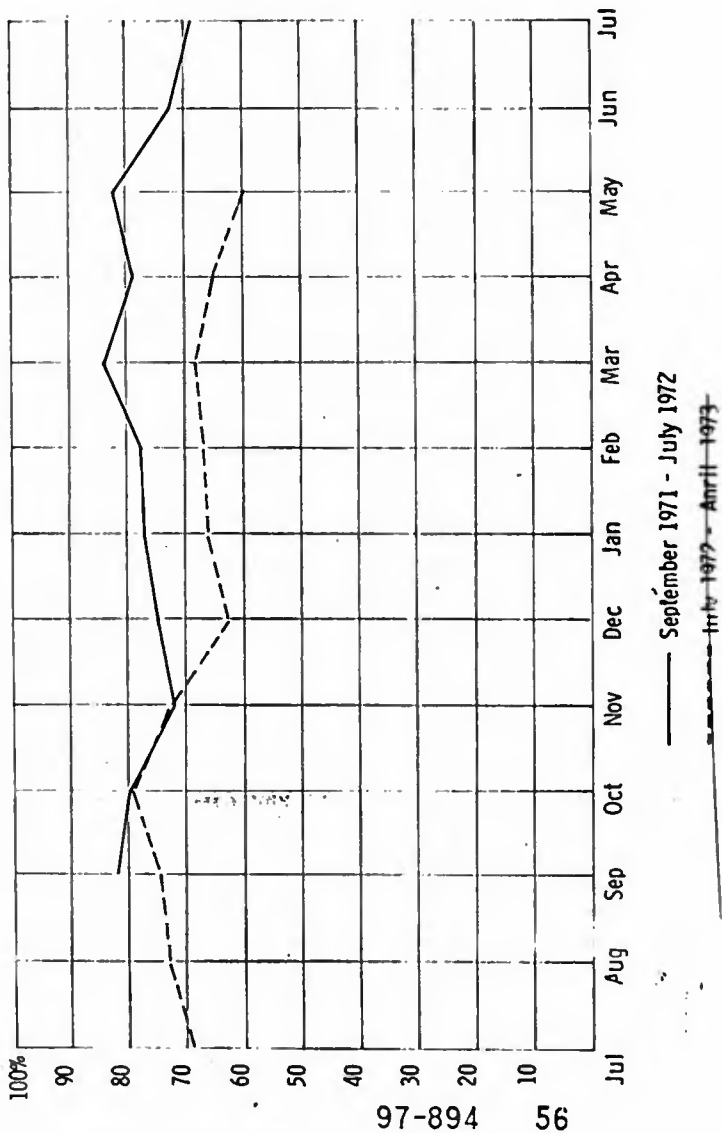
14 Months Mar '72-Apr '73





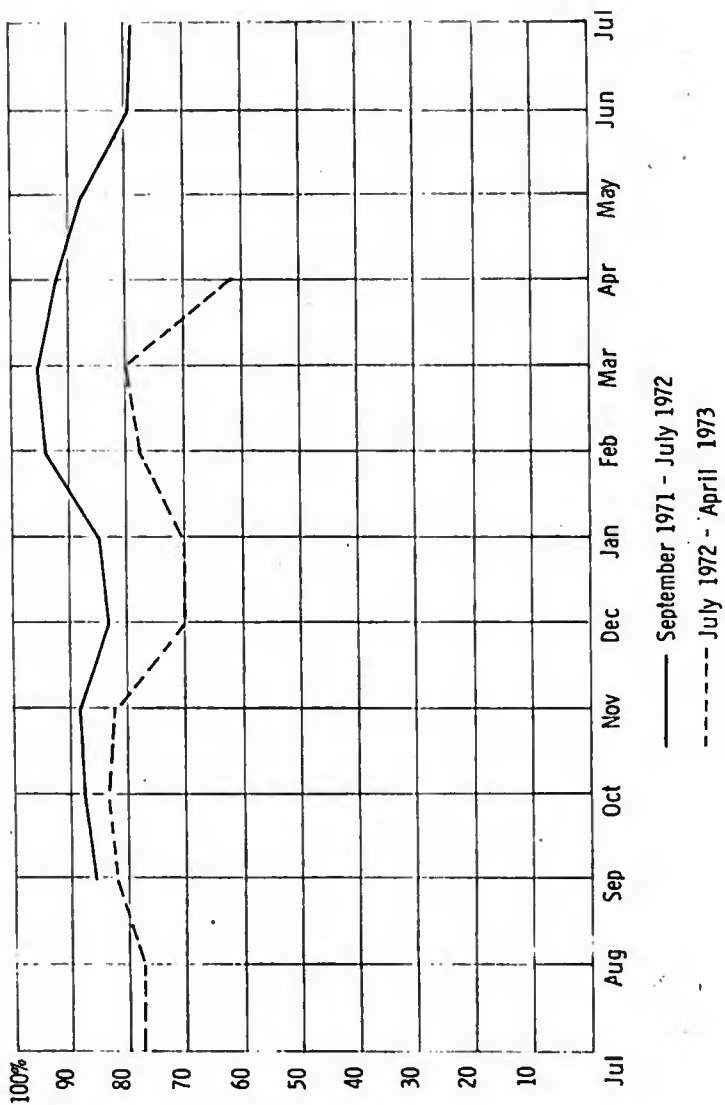
SYSTEM

ON - TIME PERFORMANCE





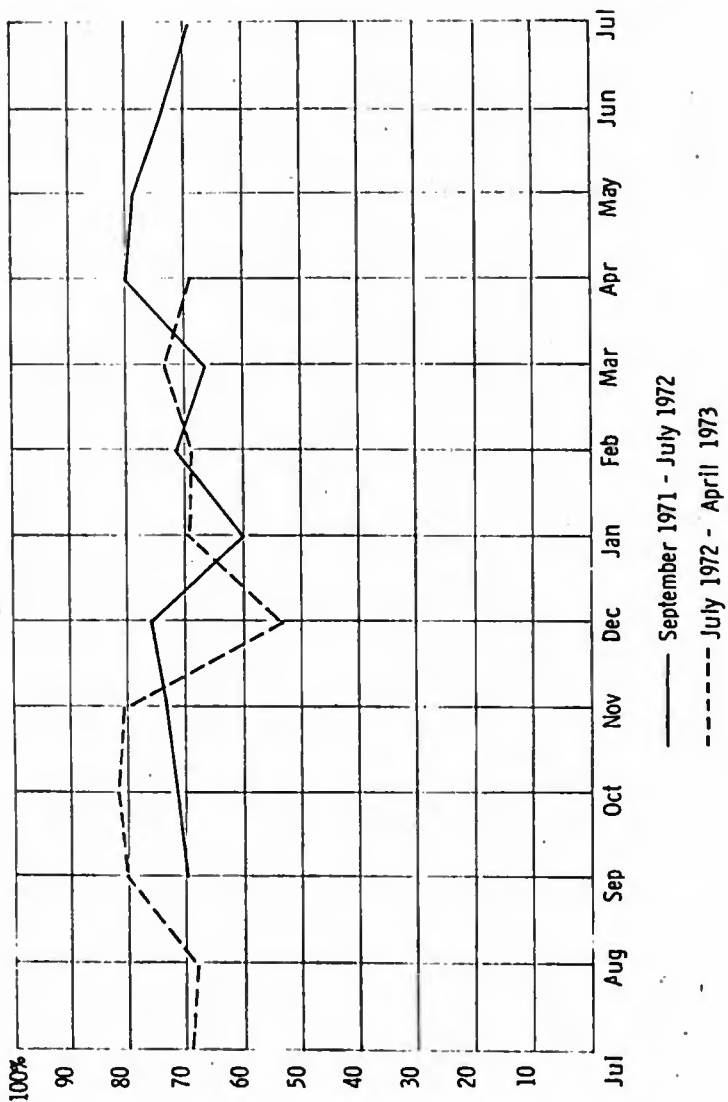
ATSF
ON - TIME PERFORMANCE





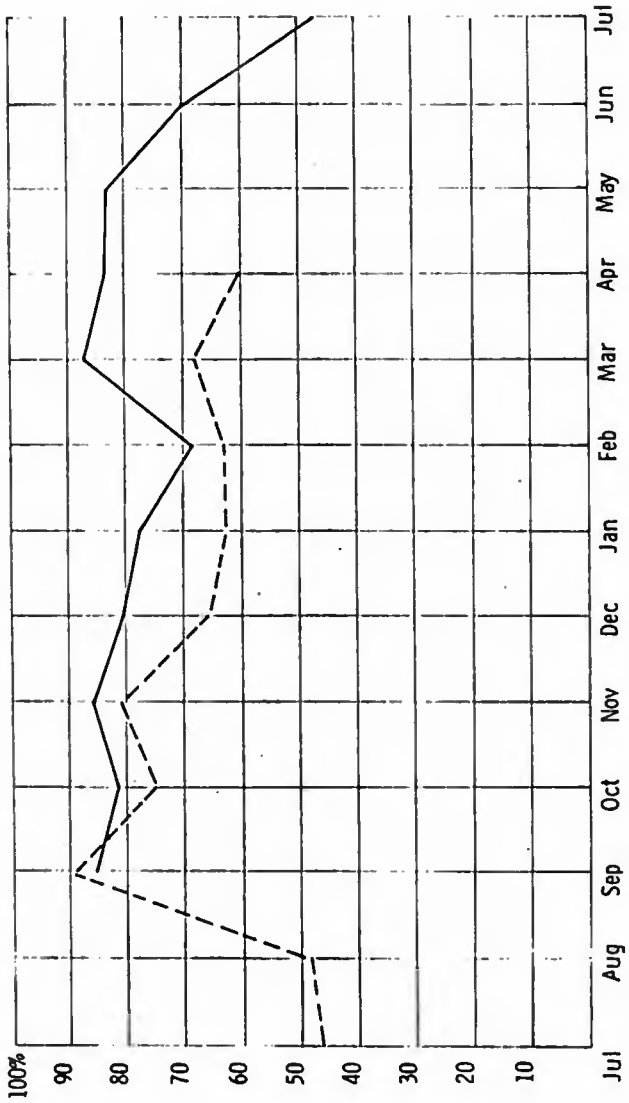
BN

ON - TIME PERFORMANCE



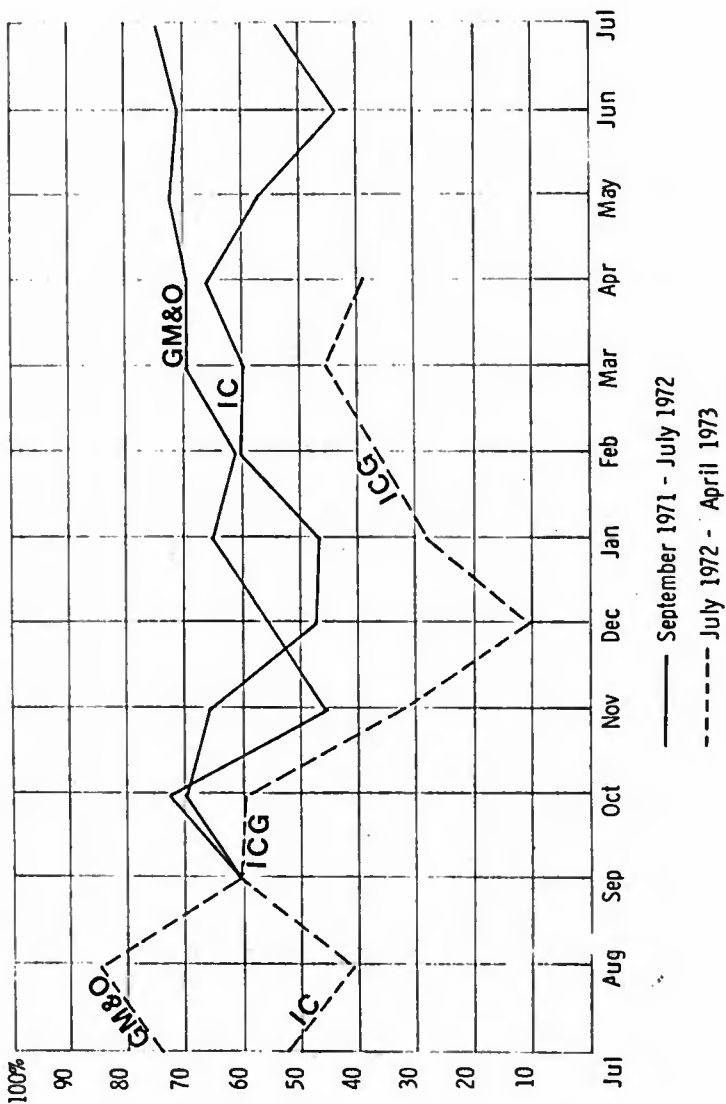


C&O/B&O
ON - TIME PERFORMANCE



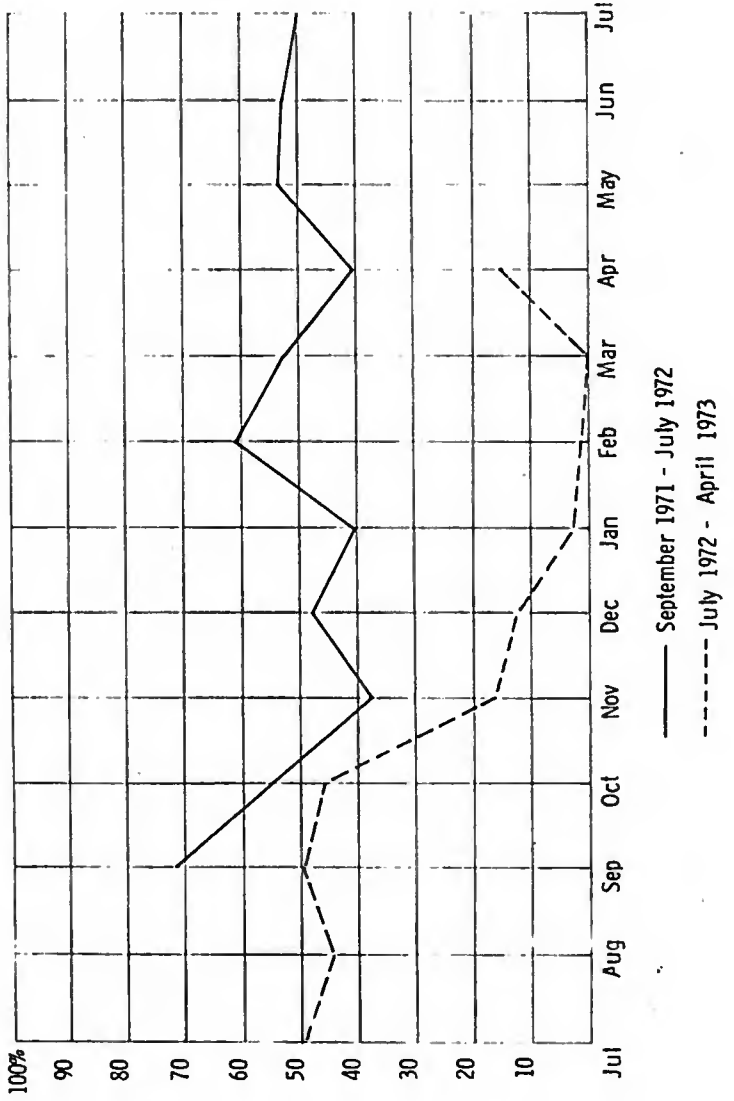


ICG
ON - TIME PERFORMANCE





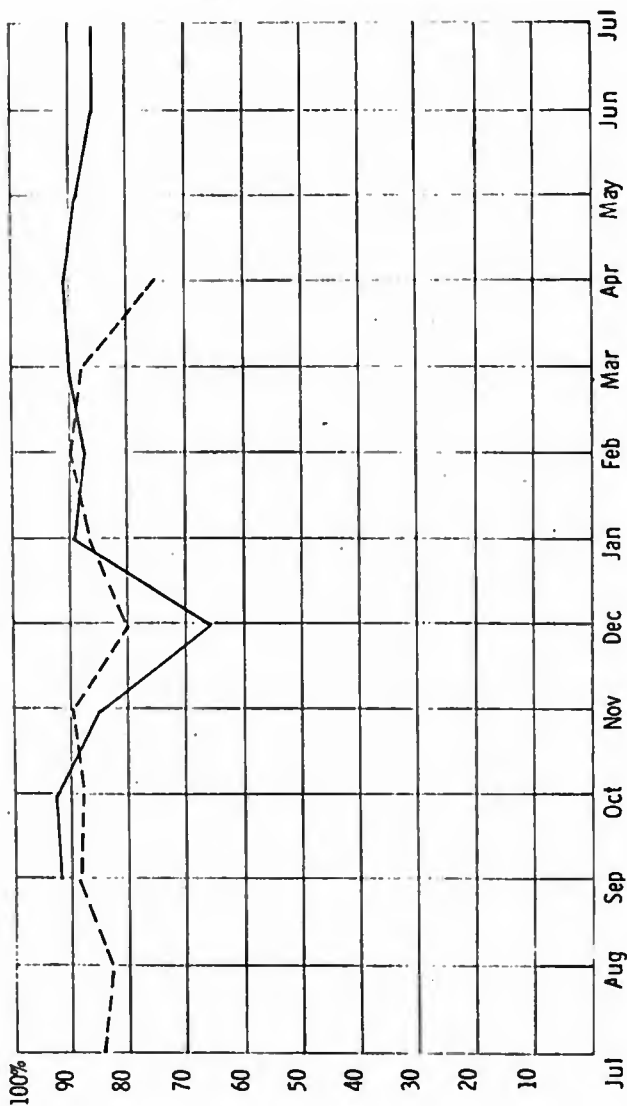
L&N
ON - TIME PERFORMANCE





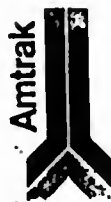
MILW

ON - TIME PERFORMANCE

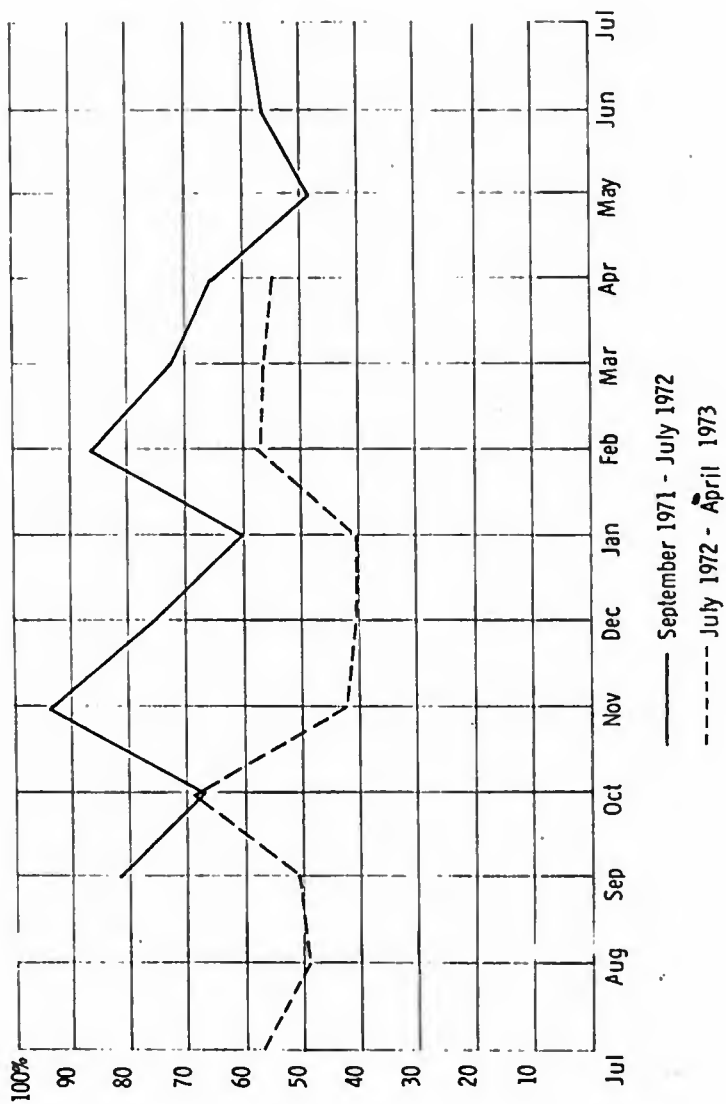


— September 1971 - July 1972

- - - - July 1972 - April 1973

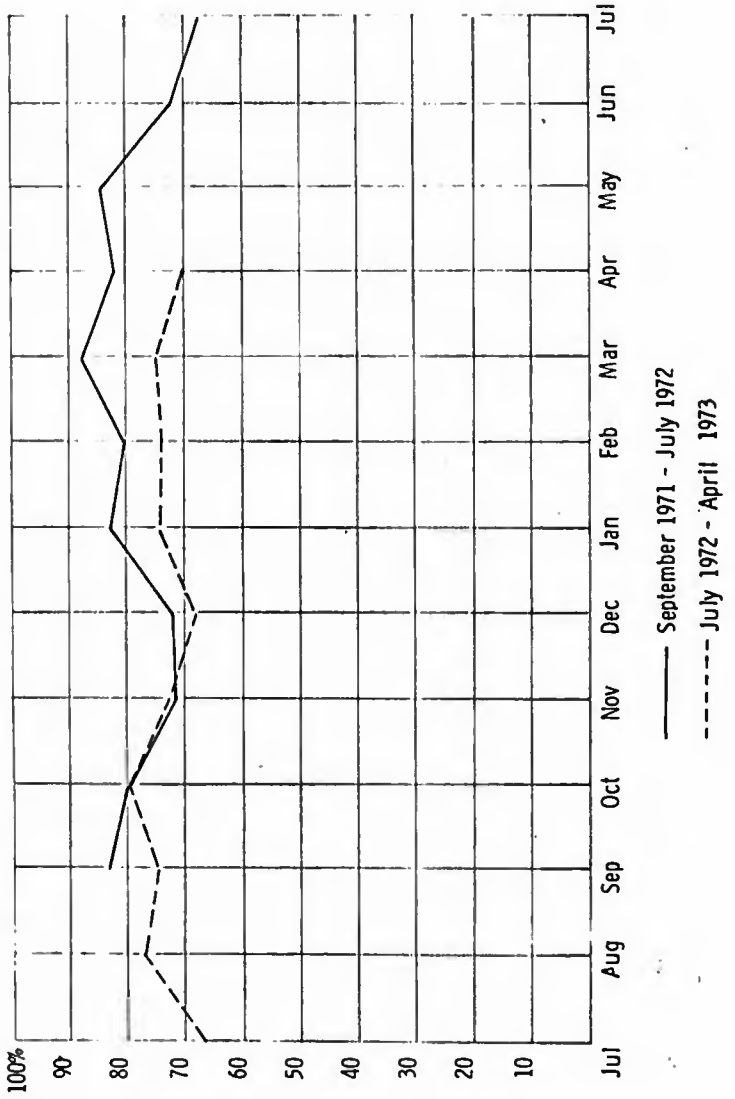


MP
ON - TIME PERFORMANCE



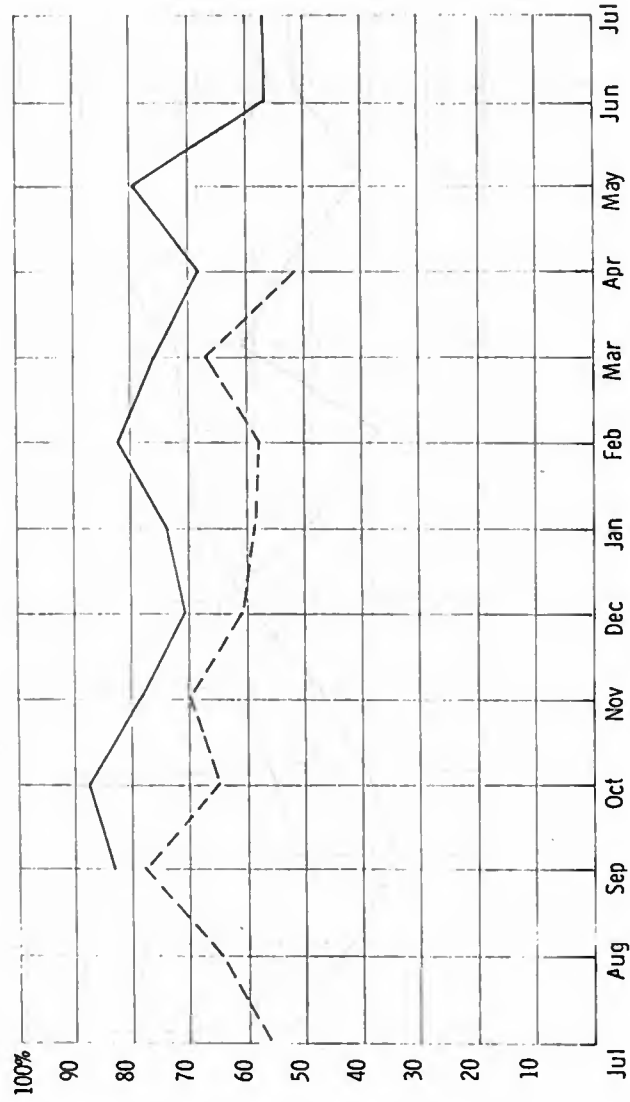


PC
ON - TIME PERFORMANCE





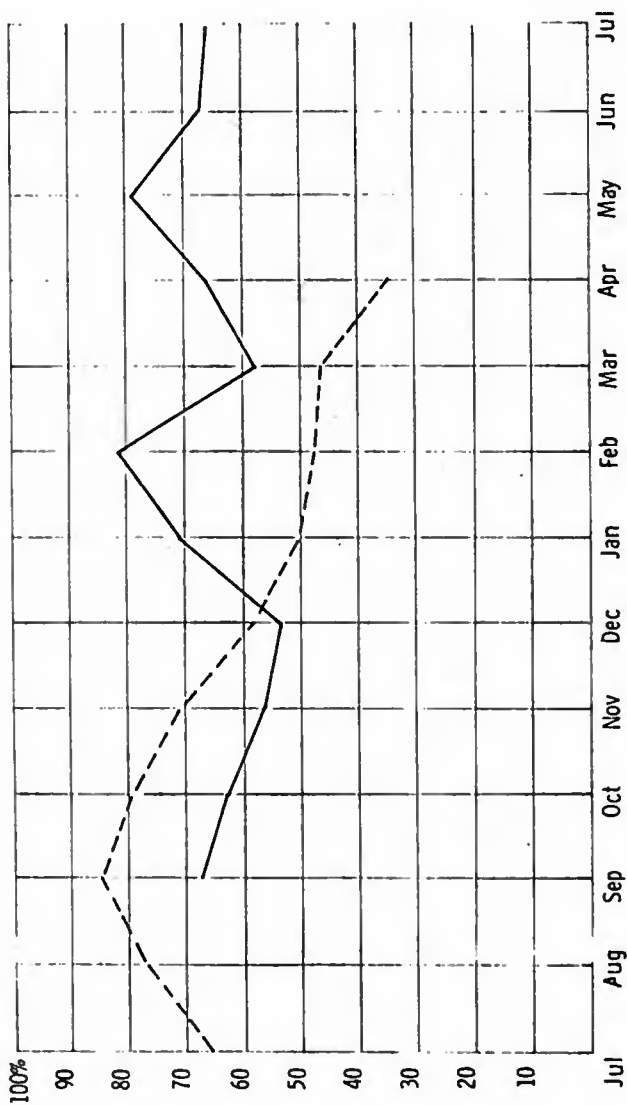
RF&P
ON - TIME PERFORMANCE



—— September 1971 - July 1972
----- July 1972 - April 1973



SCL
ON - TIME PERFORMANCE

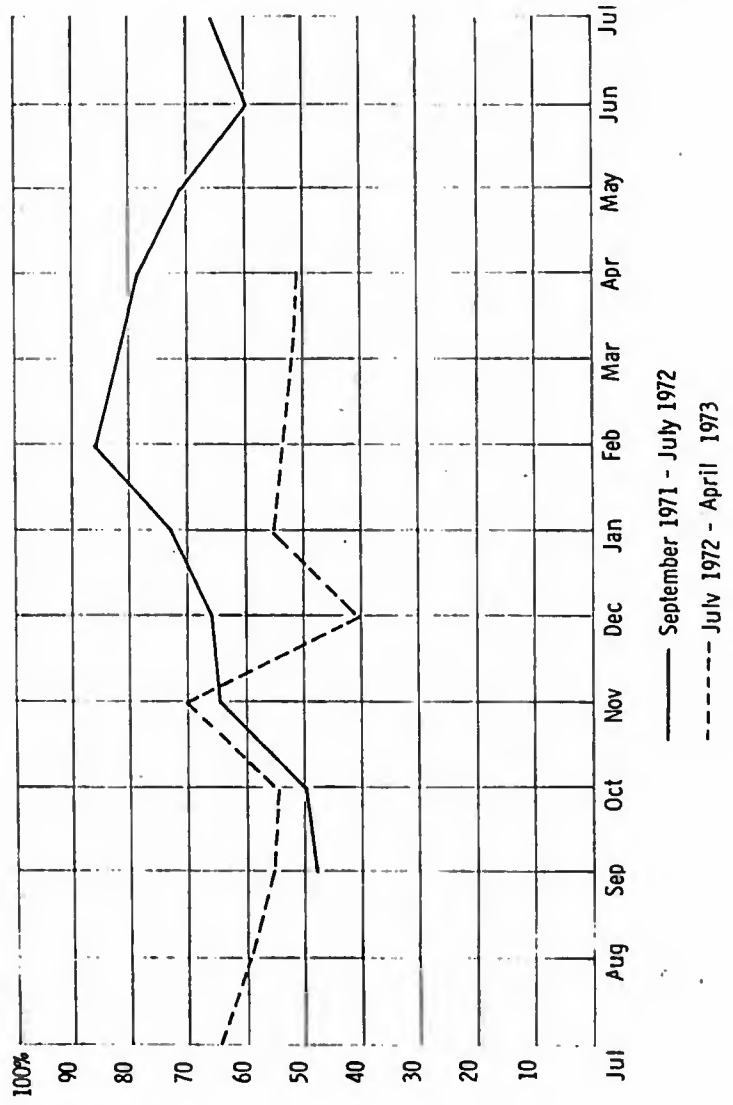


— September 1971 - July 1972

- - - - - July 1972 - April 1973

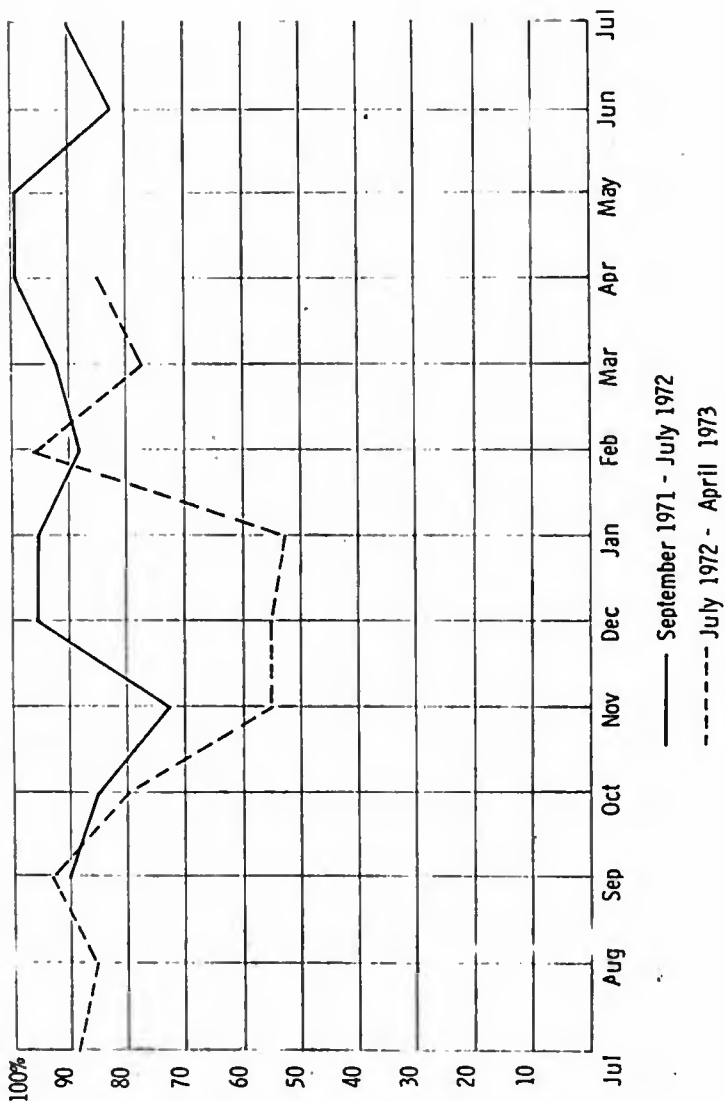


SP
ON - TIME PERFORMANCE





UP
ON - TIME PERFORMANCE





AMTRAK SYSTEM

MAJOR DELAY CATEGORIES

	MARCH 1972	JUNE 1972	SEPT 1972	DEC 1972	MARCH 1973	APRIL 1973
						
EQUIPMENT MALFUNCTION	473	541	558	936	841	949
SLOW ORDERS	647	1724	1712	3338	2697	4117
SERVICING IN STATIONS	292	479	505	1600	1222	1382
FREIGHT INTERFERENCE	259	453	599	887	1409	1413
PASSENGER RELATED	392	737	669	1466	726	1129
SIGNAL FAILURE	279	547	448	812	724	743



ATSF
MAJOR DELAY CATEGORIES

	MARCH 1972	JUNE 1972	SEPT 1972	DEC 1972	MARCH 1973	APRIL 1973
						
EQUIPMENT MALFUNCTION	2	78	42	50	32	45
SLOW ORDERS	4	64	25	49	49	114
SERVICING IN STATIONS	4	152	112	259	139	348
FREIGHT INTERFERENCE	3	30	16	18	36	56
PASSENGER RELATED	6	62	62	144	69	257
SIGNAL FAILURE	5	50	23	43	29	67



BN

MAJOR DELAY CATEGORIES

	MARCH 1972	JUNE 1972	SEPT 1972	DEC 1972	MARCH 1973	APRIL 1973
EQUIPMENT MALFUNCTION	28	24	26	96	20	19
SLOW ORDERS	83	63	37	61	93	94
SERVICING IN STATIONS	53	33	36	255	37	32
FREIGHT INTERFERENCE	33	23	12	29	35	40
PASSENGER RELATED	52	44	33	106	59	56
SIGNAL FAILURE	59	23	14	70	17	27



C&O/B&O


MAJOR DELAY CATEGORIES

	MARCH 1972	JUNE 1972	SEPT 1972	DEC 1972	MARCH 1973	APRIL 1973
						
EQUIPMENT MALFUNCTION	25	25	11	27	47	57
SLOW ORDERS	8	36	6	41	57	104
SERVICING IN STATIONS	14	18	9	56	42	48
FREIGHT INTERFERENCE	12	12	11	25	31	28
PASSENGER RELATED	8	24	6	50	33	48
SIGNAL FAILURE	6	18	3	25	15	13



ICG

MAJOR DELAY CATEGORIES

	MARCH 1972	JUNE 1972	SEPT 1972	DEC 1972	MARCH 1973	APRIL 1973
						
EQUIPMENT MALFUNCTION	52	54	39	73	71	53
SLOW ORDERS	150	226	104	608	371	468
SERVICING IN STATIONS	26	74	70	188	117	115
FREIGHT INTERFERENCE	40	46	45	77	196	145
PASSENGER RELATED	71	59	36	117	97	81
SIGNAL FAILURE	58	143	77	88	139	110



L&N


MAJOR DELAY CATEGORIES

	MARCH 1972	JUNE 1972	SEPT 1972	DEC 1972	MARCH 1973	APRIL 1973
						
EQUIPMENT MALFUNCTION	16	27	22	43	60	55
SLOW ORDERS	28	32	35	42	117	59
SERVICING IN STATIONS	17	23	37	99	137	89
FREIGHT INTERFERENCE	28	18	19	45	132	60
PASSENGER RELATED	1	0	2	2	6	10
SIGNAL FAILURE	10	8	8	17	21	11



MILW

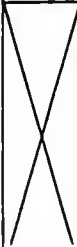
MAJOR DELAY CATEGORIES

	MARCH 1972	JUNE 1972	SEPT 1972	DEC 1972	MARCH 1973	APRIL 1973
EQUIPMENT MALFUNCTION	19	25	10	28	16	25
SLOW ORDERS	47	49	13	87	34	146
SERVICING IN STATIONS	20	9	1	41	5	12
FREIGHT INTERFERENCE	10	17	20	18	24	28
PASSENGER RELATED	9	30	3	32	4	13
SIGNAL FAILURE	25	22	24	25	18	48



MP

MAJOR DELAY CATEGORIES

	MARCH 1972	JUNE 1972	SEPT . 1972	DEC 1972	MARCH 1973	APRIL 1973
EQUIPMENT MALFUNCTION	2	3	5	5	0	1
SLOW ORDERS	0	7	50	28	44	40
SERVICING IN STATIONS	0	2	5	21	6	4
FREIGHT INTERFERENCE	11	16	18	16	63	49
PASSENGER RELATED	0	0	0	0	0	0
SIGNAL FAILURE	2	7	13	5	8	12



PC

MAJOR DELAY CATEGORIES

	MARCH 1972	JUNE 1972	SEPT 1972	DEC 1972	MARCH 1973	APRIL 1973
						
EQUIPMENT MALFUNCTION	225	203	323	438	277	371
SLOW ORDERS	293	1181	1389	2335	1789	2833
SERVICING IN STATIONS	71	69	146	387	242	229
FREIGHT INTERFERENCE	70	201	352	528	573	602
PASSENGER RELATED	178	382	394	908	320	491
SIGNAL FAILURE	78	193	204	388	260	257



RF&P


MAJOR DELAY CATEGORIES

	MARCH 1972	JUNE 1972	SEPT 1972	DEC 1972	MARCH 1973	APRIL 1973
						
EQUIPMENT MALFUNCTION	28	28	23	29	67	59
SLOW ORDERS	2	25	0	9	7	93
SERVICING IN STATIONS	46	18	7	26	24	31
FREIGHT INTERFERENCE	13	19	5	25	43	43
PASSENGER RELATED	39	73	38	35	39	43
SIGNAL FAILURE	4	20	6	16	26	38



SCL

MAJOR DELAY CATEGORIES

	MARCH 1972	JUNE 1972	SEPT 1972	DEC 1972	MARCH 1973	APRIL 1973
EQUIPMENT MALFUNCTION	56	29	28	71	198	209
SLOW ORDERS	26	15	14	2	14	53
SERVICING IN STATIONS	28	43	25	175	388	384
FREIGHT INTERFERENCE	18	17	53	65	167	294
PASSENGER RELATED	8	27	23	41	27	54
SIGNAL FAILURE	18	36	29	81	133	101



SP

MAJOR DELAY CATEGORIES

	MARCH 1972	JUNE 1972	SEPT 1972	DEC 1972	MARCH 1973	APRIL 1973
EQUIPMENT MALFUNCTION	19	44	29	73	52	52
SLOW ORDERS	6	26	39	73	122	113
SERVICING IN STATIONS	13	36	56	76	84	81
FREIGHT INTERFERENCE	20	54	48	35	107	65
PASSENGER RELATED	20	36	72	28	72	72
SIGNAL FAILURE	14	27	47	50	58	57



UP

MAJOR DELAY CATEGORIES

	MARCH 1972	JUNE 1972	SEPT 1972	DEC 1972	MARCH 1973	APRIL 1973
EQUIPMENT MALFUNCTION	1	1	0	3	1	0
SLOW ORDERS	0	0	0	3	0	0
SERVICING IN STATIONS	0	2	1	17	1	2
FREIGHT INTERFERENCE	1	0	0	6	2	1
PASSENGER RELATED	0	0	0	3	0	4
SIGNAL FAILURE	0	0	0	4	0	0

Mr. SHOUP. One or two more questions. In H.R. 8351, one of the titles which I think you referred to, was granting eminent domain to Amtrak. What property are you referring to? What property did you envision owning with a necessity for eminent domain?

Mr. LEWIS. We are really speaking here of rather modest applications of this principle. We have situations which arise primarily with respect to station locations. For example, we have a very large station, very expensive and costly station to maintain, not needed by the public and we would like to move.

Normally, the place we would want to move to is further down the railroad right-of-way, and we find it very difficult to negotiate fair and reasonable prices for the acquisition of property for that purpose.

Mr. SHOUP. Well, now, Mr. Lewis, you don't own all of your stations, do you?

Mr. LEWIS. We don't own any of them.

Mr. SHOUP. But you are planning on owning some?

Mr. LEWIS. Wherever we build a new station we would, of course, own it. We need the land on which to erect it.

Mr. SHOUP. Do you contemplate in the future that in time you will replace all existing stations?

Mr. LEWIS. Not all of them, no.

Mr. SHOUP. So you will have a kind of two-pronged station attitude?

Mr. LEWIS. Well, I think this is a very good question. First, one of the great strengths of railroad passenger service is it operates from city-center to city-center, but this creates for us the big terminal problem, which are very expensive, built 50 or 60 years ago for different kinds of purposes, such as Washington terminal and the New York terminals. We would like to lower this type of expense as much as we can. In smaller towns it might mean relocating. But the second service, the second option for railroad passenger service that we feel should be developed is the "suburb-to-suburb" service—Capital Beltway and Metro Park in New Jersey are good examples.

People have been educated by the airline industry to expect to be able to move from their suburban home to a place where they can park their car and get on an airplane, and we think the same principle can be applied to getting on a train to go into another city for the day and come back and get in their cars.

So we visualize, not only the development of a more economical city-center to city-center station complex, but also stations like the Capital Beltway station, where we offer the additional service to the traveler of being able to park and ride.

Mr. SHOUP. I think what probably is reassuring is to hear you say it is only a minimal amount of time that you would exercise it, however in the bill there is no restriction.

Mr. LEWIS. Well, the restriction is in dealing with railroad property. It has to be adjudicated by the ICC if there is a dispute about it.

Mr. SHOUP. I am sorry, I am a little hesitant on eminent domain. I think too many times eminent domain is not used in the best interests of the public.

Mr. LEWIS. We have only one interest and that is to improve the Amtrak system, and the problems that have arisen have been—well, they have not as yet been numerous, but they have been very serious in terms of our ability to accomplish rapidly the goals I just outlined.

Mr. SHOUP. One final question, Mr. Lewis. In speaking of the guaranteed loans, as I see it at the present time you have used, I think, what, \$100 million of your authorized \$500 million limit, am I correct?

Mr. LEWIS. The most we have ever borrowed was \$75 million, and we borrowed that for operating purposes and then paid it back.

Mr. SHOUP. Well, am I correct, did I hear you correctly to say that you felt that the \$200 million would be sufficient, within existing law that limit would be sufficient but they, the administration, went to \$500 million, changed that to \$500 million?

Mr. LEWIS. Well, I want to be clear about it. We are talking now only of the loan authority?

Mr. SHOUP. Yes.

Mr. LEWIS. In our planning, we are only going to use our loan authority for the acquisition of rolling stock, locomotives and equipment that we feel are economically viable and which we can repay. We plan next year to spend about \$100 million for equipment out of this loan authority that will only get us started on an equipment replacement program.

The \$500 million, which will permit us to make larger commitments extending further into the future, would be very desirable, but in terms of what we would commit this year, fiscal year 1974, the program that is before you contemplates \$100 million, that is an additional \$100 million, and that would be adequate.

Mr. SHOUP. You can then fulfill your program as you envision it with the existing limit and it would not be necessary to go to \$500 million at this time?

Mr. LEWIS. Just to get started, this year. But I don't think this is the way to run a business, although I think it is quite right to run under a tight rein.

Mr. SHOUP. Then, why didn't you request \$500 million?

Mr. LEWIS. Well, I was told to make up a program for fiscal year 1974 and that is what I did. When it was processed, and the recommendation was for \$500 million, I welcome it. I think this is an excellent proposal.

Mr. SHOUP. You would welcome the addition then?

Mr. LEWIS. Yes, sir.

Mr. SHOUP. To go the \$500 million?

Mr. LEWIS. Yes, sir. I think it gives us, and by "us" I mean the Department and Amtrak, it gives us the opportunity to plan further into the future to take advantage of multiple-unit procurement and things of that sort.

Mr. SHOUP. Have you projected plans which would call for the use of the \$500 million?

Mr. LEWIS. Yes.

Mr. SHOUP. You do have plans?

Mr. LEWIS. Yes.

Mr. SHOUP. So \$500 million is not just a figure drawn out of the air and you have specific plans for that program?

Mr. LEWIS. We need that kind of money and in the next several years to replace the equipment and make improvements we feel are necessary.

Mr. SHOUR. The statement you made earlier that it is a viable concern, it could proceed until it becomes a self-sustaining business, I think you made this statement, this is your goal, envision the \$500 million, the repayment of that, not just what you have in 1974?

Mr. LEWIS. Well, we envision repayment.

Mr. SHOUR. There is quite a bit of debt service involved?

Mr. LEWIS. That is right. The difficulty, it appears to me, is to provide a means for us to enter into an equipment program that we feel is viable—that is, for capital purchases on which we will be able to earn enough to pay the borrowed capital back. The reason we need a Government guarantee is, it might be an extended time before we are able to do that.

Mr. SHOUR. You do feel by going to \$500 million, you can repay that?

Mr. LEWIS. Under our present planning, we would not request authority to make commitments of this loan capital for new equipment unless we felt it would be repayable out of the earnings from that equipment.

Mr. SHOUR. But it is your anticipation that you can?

Mr. LEWIS. That would be the basis on which we would go into it, yes.

Mr. SHOUR. Fine.

Thank you, Mr. Chairman. No further questions.

Mr. JARMAN. Any additional questions?

Mr. Kuykendall?

Mr. KUYKENDALL. Please forgive me for being late. I will not ask any questions.

Mr. JARMAN. Well, the subcommittee appreciates your being with us and the testimony you have given and we will stay in close touch with you on the developments.

Mr. LEWIS. Thank you very much, Mr. Chairman.

Mr. JARMAN. The next witness is Mr. Henri Rush, Jr., Deputy Administrator, Federal Railroad Administration, Department of Transportation.

Mr. Rush, if you would introduce your associates. And continue with your testimony in your own way.

STATEMENT OF HENRI F. RUSH, JR., DEPUTY ADMINISTRATOR, FEDERAL RAILROAD ADMINISTRATION, DEPARTMENT OF TRANSPORTATION; ACCOMPANIED BY DONALD BENNETT, CHIEF COUNSEL; AND RICHARD BOWMAN, OFFICE OF THE SECRETARY OF TRANSPORTATION

Mr. RUSH. Thank you, sir. I am Deputy Administrator of the Federal Railroad Administration. With me, on my right, is Donald Bennett, Chief Counsel of the Federal Railroad Administration and to my left is Richard Bowman of the Office of the Secretary of Transportation.

Mr. JARMAN. At this point, let me recognize Chairman Staggers.

Chairman STAGGERS. We are glad to have you before the subcommittee, Mr. Rush. I feel that you are a competent and dedicated man in what you do, and we will welcome your testimony before the subcommittee.

I am sorry I have to leave. I have a committee downstairs and promised I would be there, but I will try to go over your testimony.

Mr. RUSH. Thank you.

Mr. Chairman, in the interest of brevity, I will highlight it and ask that the entire statement appear in the record.

Mr. JARMAN. The subcommittee will receive your statement in full [see p. 67] and will be interested in your comments.

Mr. RUSH. Thank you, sir.

We share Roger Lewis' optimism in the progress made by Amtrak in its 2 brief years of operation in meeting the objective that the Congress created it for—to improve rail passenger service.

We view the period after July 1, 1973, as the first phase or a new phase of the experiment to determine what is the appropriate role of rail passenger service in a balanced national transportation system.

Among the indicators that give us hope is the fact that there has been an 11-percent increase in ridership for the period May–November, comparing 1972 versus 1971. Also, there is a projected decrease in operating losses of \$28.7 million from fiscal year 1972 to fiscal 1973.

Amtrak, as was pointed out, refurbished a great portion of the fleet it is operating and it has improved station and on-board service.

Net cash loss from operations is expected to decline from \$152.3 million in fiscal 1972 to an estimated \$124 million for fiscal year 1973, and down to \$95.6 million estimated for fiscal 1974.

We feel that time is needed to properly evaluate the impact of the numerous changes and improvements which Amtrak has made. The Department submitted, as you know, a review of the activities of Amtrak in a March 15 report to Congress which, although it was furnished to all of you, I would like to also submit a copy for the record, and ask that a copy be included in the record.

Mr. JARMAN. The subcommittee will be glad to receive it.

[See "Report to Congress—The Rail Passenger Service Act of 1970, March 1973, p. 71, this hearing.]

Mr. RUSH. Based on that report and the projections contained therein, the Department believes that Federal funding of Amtrak's projected deficit is warranted to continue this experiment and evaluation of the effects of the service changes that are now being implemented and the investment in new equipment and facilities.

At the same time, in reviewing the Amtrak operations, we conducted an extensive evaluation of the routes being operated by Amtrak, utilizing operating and financial data supplied by Amtrak and applying the original eight criteria that were set up in the statute for designating the basic system, including the public convenience and necessity.

In the evaluation process, two additional factors were weighted heavily if a route was determined to be questionable under the eight criteria. Those were the 1975 level of patronage projected by Amtrak and the availability of alternate transportation. Listed here are the routes which I am sure are familiar to you that we recommend either discontinuing or changing in an effort to reduce operating losses where it was felt that service was not vitally needed, which really is evident from the amount of patronage the service was drawing.

These recommended changes in total reduce Amtrak's train miles by 14 percent while affecting only roughly 3 percent of Amtrak's passenger miles.

As I indicated, the process by which we arrived at these recommendations is spelled out in the report and I would be happy to go over it with the members of the subcommittee should they choose. It is also appropriate at this point, I think, to discuss the question of additional service since it is one we know to be a matter of concern to this committee.

The Department believes that Amtrak at this point is still in a formative stage. In fact, maybe it could fairly be said to be moving into its formative stage at this point. Accordingly, it is our belief that the addition of any service should be based on a very careful assessment of markets, ridership, revenue potential, and costs.

We feel that the level of existing service must be stabilized and improved prior to making additions, except in those instances where a State or local agency determines to use the provisions of section 403(b) of the Act.

As you know, that provides for the State or local agency paying a reasonable portion of the costs set by statute, to be not less than 66 $\frac{2}{3}$ percent of the cost. Assuming that the route changes included in our report are implemented, we believe Amtrak will require an appropriation of \$93 million for fiscal year 1974 to cover its projected operating deficits.

In addition to this direct operating grant, Amtrak will use the \$54.7 million remainder of the railroad entry fees and \$100 million in its capital program.

There is a contingency item in this budget which has been referred to a number of times earlier and that is the question of the pending dispute with Penn Central over costs and should that turn out adversely to Amtrak, it could increase their operating costs. Let me digress and just make a point or two on this issue.

The Department has intervened in the proceeding before the Interstate Commerce Commission with respect to the Penn Central and Amtrak issue. The precise issue before the Commission deals with the northeast corridor service and the question is the allocation of the portion of cost to rail passenger service, as opposed to freight service, and the third leg of that stool is the commuter service.

On the question of allocation, Penn Central has asked for an increase of \$18 million in the corridor area. In addition to that, posting a return on investment of 7.5 percent, they have asked for an additional \$35 million. The Department's position as stated by the Administrator in his verified statement before the Commission, is that in the corridor itself, where passenger traffic vastly is predominant over freight traffic, there is a basis for considering a fair share allocation of the cost of maintaining the track to the passenger service and the amount of that is yet to be determined, but the maximum on it would be \$18 million.

We would certainly not support, in fact, we would oppose that extension outside the corridor or outside areas, to be more precise, where freight, rather passenger service is predominating in the use of the tracks. So, as to other areas we would feel the approach suggested by Amtrak is appropriate. However, we do see merit to the position in the northeast corridor that some portion of those costs are properly allocable.

I would be happy to submit, if you like, a copy of Mr. Ingram's verified statement in that ICC proceeding for the record.

Mr. JARMAN. I think that would be helpful.

[See verified statement, p. 182, this hearing.]

Mr. JARMAN. May we ask what is the timing outlook on the ICC proceeding?

Mr. BENNETT. Sir, the ICC has just put out a schedule where they will fully consider the issue of just and reasonable cost in the Penn Central dispute. As I recall, the last pleading will be filed by Amtrak on July 14 of this year.

Mr. RUSH. We would be glad to provide that order if you wish.

[See order ICC Finance Docket No. 27353, p. 189, this hearing.]

Mr. RUSH. Turning now to the legislative recommendations embodied in H.R. 8351, the goal of all of them is to provide for flexible appropriation authorizations authorizing increased loan guarantees and thereby permitting Amtrak to more readily implement its managerial decisions.

As was indicated in the March 15 report, and as I already mentioned, the Department believes a \$93 million grant for fiscal 1974 is appropriate. Uncertainties as to future contract, negotiations and the projections of fares, ridership and costs, have led the Department to recommend general, rather than specific, appropriation authorizations.

I recognize that Government activities can usually be limited to the amount of an appropriation, but, given these uncertainties, if an authorization were specified and proved inadequate, it would be necessary not only to obtain a supplemental appropriation, but prior to that a separate bill to increase the authorization.

If I might digress a minute here on that subject, we recently rather we are now in the middle of the experience of obtaining a supplemental appropriation to effect the so-called Agnes emergency rail facilities restoration act, which was passed in October, and, here it is June. So there are real difficulties in this process, as I am sure you gentlemen are well aware.

Section 5 of H.R. 8351 would therefore amend section 601 of the act to provide for general appropriations. Section 6 of the bill would authorize the total of \$500 million in loan guarantees for Amtrak's capital program. Improvement of plant and equipment is an important element in reducing Amtrak's operating deficit. Section 6 also contains certain technical amendments.

In addition to these changes, Section 306 of the act will be amended to make Amtrak's and the Department's report to the Congress conform to the budget cycle.

For the reasons discussed in the preceding paragraph with respect to the appropriations and the authorization, there is need for some flexibility in this process. We would oppose any change to the legislation which requires us to spend specific amounts of money authorized by Congress in any given year, and would object even more strongly if the amount in question exceeded the amount our analysis indicates is required by Amtrak.

Similarly, we would object to any change in the legislation which would undercut our ability to deal effectively with Amtrak on budget matters as required by Congress in the 1972 amendments to the Rail Passenger Service Act.

Changes which have been widely reported in the press as being under consideration by the Senate would appear to prevent the Depart-

ment from exercising the oversight function required by section 601 of the act as previously urged upon us by Congress in the 1972 amendments.

Other changes relating to submission of legislative recommendations would appear to give Amtrak a status heretofore reserved for regulatory agencies which submit findings and recommendations, which because of their nature, sometimes are inappropriate for advance submission to the executive branch.

The remaining legislative proposals address Amtrak's continuing relationship with the rail industry and the Interstate Commerce Commission. Section 404(b)(3) would be amended to eliminate the requirement that Amtrak follow the procedures of section 13(a) of the Interstate Commerce Act and would authorize Amtrak's board of directors to reduce train service if the cost of a particular service did not warrant its continuation. However, if a reduction in service would constitute a discontinuance of service between points specified within the basic system established by the Secretary, the discontinuance would require the Secretary's approval.

I believe the proposed amendment is justified in light of Amtrak's experimental, public nature, and will relieve Amtrak of the expensive and protracted litigation that has characterized discontinuance proceedings while protecting the public against unjustified discontinuance of intercity rail service. As in the case of establishing the basic system, the Secretary's decision would not be subject to judicial review.

In addition the bill would amend Section 801 of the act to eliminate the possibility of conflict between the Secretary and the Commission in the exercise of their respective Amtrak regulatory functions. One possible area of conflict is in rail safety matters.

In the light of the inclusive rail safety authority provided the Department by the Federal Railroad Safety Act of 1970, section 7 of the bill would require the Commission to take into account the rail safety regulations of the Secretary.

Section 801 would also be amended by section 7 of the bill to clarify the extent of the Commission's control over Amtrak's service characteristics. In directing the Secretary to establish the basic system for intercity rail passenger service in the United States, Congress directed in section 201 of the act that the Secretary establish the basic service characteristics of operations to be provided within the basic system.

The ambiguous language of section 801 can be construed to empower the Commission to impose conflicting service obligations on Amtrak and to impair the exercise on Amtrak's operating managerial discretion. This does not appear to have been congressional intent under the act.

Section 7 of the bill would therefore amend section 801 to exclude from the Commission jurisdiction the authority to promulgate regulations that relate to the scheduling, frequency of service, or the number or type of cars in a train consist. The Commission would retain authority to ensure that Amtrak provides an adequate level of amenities on its trains and in its facilities.

Finally, sections 1 and 3 of the bill would grant Amtrak a limited power of eminent domain to acquire private property. This power is possessed by most domestic utilities and should facilitate Amtrak's efforts to build modern, efficient terminals in core urban areas. It is

essential if Amtrak is to acquire property in such areas at reasonable prices.

If the dispute over the acquisition of the property is between Amtrak and a railroad, the dispute would be referred to the Commission. Within 120 days the Commission would resolve the public interest aspects of the competing claims for the use of the property for rail purposes. The power would not reach public property.

In conclusion, I would state that Amtrak's progress to date indicates that the 1970 Act has been effective in reversing the previous trend of declining ridership and in improving inter-city passenger service. Further improvements now being implemented should increase the progress that has already been made, and, therefore, the Amtrak experiment should be continued. The proposed amendments should aid this development.

This concludes my testimony, Mr. Chairman. I would be pleased to answer any questions the committee may have.

[Testimony resumes on p. 192.]

[Mr. Rush's prepared statement, the report to Congress on the Rail Passenger Service Act of 1970, and ICC Finance Docket No. 27353, John W. Ingram's verified statement and order, referred to follow:]

STATEMENT OF HENRI F. RUSH, JR., DEPUTY ADMINISTRATOR, FEDERAL RAILROAD ADMINISTRATION, DEPARTMENT OF TRANSPORTATION

Mr. Chairman and members of the committee, I appreciate this opportunity to appear before you today to discuss H.R. 8351, which contains the text of the Department of Transportation's legislative recommendations initially submitted in the March 15, 1973, Report to Congress on the Rail Passenger Service Act of 1970. I would also like to take this opportunity to highlight the more important portions of the report and express the mutual interest of the Department and Amtrak in the continued improvement of intercity rail passenger service.

In the two years that Amtrak has been operating, it has made significant progress toward meeting the objective of improving rail passenger service.

The period to July 1, 1973, can be viewed as the first phase of the experiment to determine the appropriate role of rail passenger service in a balanced national transportation system.

We see among the initial indicators of progress:

An 11% increase in ridership for the period May–November 1972 vs. 1971.

A projected decrease in operating loss of \$28.7 million from FY 1972 to FY 1973.

The refurbishment of many of the passenger cars operated by Amtrak.

Improved station and on-board services.

Net cash loss from operations is expected to decline from \$152.3 million in FY 1972 to an estimated \$124 million for FY 1973 and down to \$95.6 million estimated for FY 1974.

Many of the improvements made by Amtrak have not yet become apparent to the traveling public. For example, a new computerized reservation system will be phased in beginning this year which will make rail travel more convenient. The assumption of most railroad functions and personnel relating to on-board personnel and ticketing will be completed this year. Time is needed to properly evaluate the impact of these and other changes.

The Department reviewed the first 23 months of Amtrak's activities in a March 15 Report to Congress, which I would like to submit for the record [see p. 71]. We noted much had been done but also that there are some problem areas that Amtrak management must address more strongly. Amtrak should move ahead to refurbish many of its stations, and to reduce equipment malfunctions. The budget includes sufficient money for new locomotives and cars to improve on-time performance.

The Department believes that Federal funding of Amtrak's projected deficit is warranted to continue the experiment and evaluate the effect of both the service changes that are now being implemented and the investment in new equipment and facilities.

The capital program continues to devote substantial resources to the acquisition of new high speed corridor equipment, new locomotives and the refurbishment of passenger cars. These capital investments will yield better on-time performance, reduced operating expense and more attractive service. Additionally, Amtrak's fiscal year 1974 budget calls for capital expenditures for track upgrading in high density markets.

As described in the Secretary's March 15 report, the Department has conducted an extensive evaluation of all Amtrak routes. Utilizing Amtrak operating and financial data the evaluation was based on the original eight criteria used to identify the Basic System, which included the economic feasibility of each route in relation to the system, and the public convenience and necessity.

In the evaluation process, it was felt that two factors should be considered heavily if a route was determined to be questionable under the eight criteria: Those two factors were (1) the 1975 level of patronage as projected by Amtrak, and (2) the availability of acceptable alternative transportation. If a route is expected to continue a low level of rider use, it is questionable whether it is fulfilling a public need and whether it merits a further investment of public resources.

In summary, the Department has recommended the following route changes:

1. The current Chicago-Florida service should be rerouted to operate over existing routes via Richmond, Virginia. The current route suffers from very low patronage, averaging only 57 passengers on-board.

2. Discontinue the Newport News-Richmond segment of the Chicago-Washington/Newport News Route. The entire route has experienced poor ridership. However, the routing of Chicago-Florida service through Richmond and existing ridership and mail revenues from both services should strengthen the principal portion of the Route. Actual and projected traffic is insufficient to warrant continuation of the Richmond-Newport News segment.

3. Consolidate the Chicago-Houston and Chicago-Los Angeles service between Chicago and an operationally feasible point in Kansas during eight months of the year. These two routes are identical between Chicago and Kansas City, and the overall Chicago-Houston route has a low level of patronage. Combining these routes will strengthen the performance of the now "marginal" Chicago-Houston service.

4. Discontinue the New York/Washington, D.C. to Kansas City service. The actual and projected ridership on this route is poor. Amtrak has projected the average on-board ridership to be only 34 by 1975.

5. The experimental service between Washington, D.C. and Parkersburg, West Virginia, has proved unsuccessful and has been discontinued. This service was initiated as experimental under Section 403(a) of the Act, and is not part of the Basic System. The route suffered from high operating losses and extremely low patronage with an average of five passengers on-board beyond the commuter territory which is also served by the C&O/B&O Railroad. A part of this route is now being operated as new service between Washington and Cumberland, Maryland. Amtrak contemplates that it will be financed under Section 403(b) of the Act by the States of Maryland and West Virginia.

These recommended changes will reduce Amtrak's train miles by 14% while affecting only 3% of Amtrak's passenger miles. The detailed process by which we arrived at these recommendations is included in the Secretary's March 15 Report, which I previously submitted for the Record.

It is appropriate here to also discuss additional service, since this issue is always a matter of interest to the Congress, states and communities. The Department believes that Amtrak is in a formative stage. The addition of any service should be based on an assessment of markets, ridership, revenue potential and costs. Clearly, the level of existing service must be stabilized and improved prior to making additions, except in those instances where a State, regional or local agency chooses to use the provisions of Section 403(b) of the Act to reimburse Amtrak for a major portion of any losses. I recommend that state and local governments desiring service outside the basic system and in addition to the revised route structure recommended by the Department approach Amtrak regarding the possibility of contracts under section 403(b). That section provides that any state, regional, or local agency may request of Amtrak rail passenger service beyond that included within the basic system, and that Amtrak shall institute such service if state, regional, or local agencies agree to reimburse Amtrak

for a reasonable portion of any losses associated with such services. Section 403 (c) defines the term "reasonable portion" as not less than 66⅔ per centum of, and no more than, the solely related cost and associated capital costs attributable to the service.

Assuming that the recommended route changes are implemented, Amtrak will require an appropriation of \$93 million for fiscal year 1974 to cover its projected operating deficits. In addition to this direct operating grant, Amtrak will use the \$54.7 million remainder of the railroad entry fees and \$100 million in loan guarantees for its capital program.

As noted in the Department's report, Amtrak's FY 1974 budget has a major contingency item in the form of a compensation dispute between Amtrak and the Penn Central Transportation Company regarding the operation of intercity passenger trains by Amtrak over Penn Central's lines. The present contract between Amtrak and Penn Central provides that for the period May 1, 1971 through June 30, 1973, Penn Central will be reimbursed for all costs solely related to intercity passenger service plus additional costs which special studies show to be avoidable. Amtrak and Penn Central have been unable to agree on the basis of compensation for the period after July 1, 1973, and the matter has been referred to the Interstate Commerce Commission ("ICC") for resolution pursuant to Section 402 of the Rail Passenger Service Act of 1970. Penn Central has taken the position before the ICC that it should receive from Amtrak its fully shared costs plus a return on investment of 7.5%. Amtrak contends that the question of compensation for services must be considered with the quality and value of the services received from Penn Central. The Department of Transportation intervened in the ICC case and through the verified statement of John W. Ingram, the Federal Railroad Administrator, took the position that Penn Central was entitled to be compensated on a fully shared cost basis for passenger service on only those lines where passenger traffic predominates, with compensation for all other lines properly being on an avoidable cost basis. The Department further took the view that return on investment would only be appropriate only under limited circumstances, such as in exchange for improved service and/or for new investments made with Amtrak's consent or at Amtrak's request. A copy of Mr. Ingram's verified statement will be submitted for the Record [see p. —].

The Department's legislative recommendations are designed to facilitate the long term goal of decreasing Amtrak's deficits and achieving break-even operations. The Department anticipates that loan guarantees for Amtrak's capital program will be required for the foreseeable future. The provisions of H.R. 8351 will help Amtrak and the Department achieve these goals by providing flexible appropriation authorizations, authorizing increased loan guarantees, and by permitting Amtrak to more readily implement its managerial decisions.

As was indicated in the March 15 Report, Amtrak's financial requirements contain an unusual element of uncertainty. Thus, while the Department has requested a \$93 million grant for FY 1974, such uncertainties as future contract negotiations and the projections of fares, ridership, and costs has lead the Department to recommend general, rather than specific, appropriations authorizations. I recognize that Government activities can usually be limited to the amount of an appropriation but given the uncertainties I have mentioned, if an authorization were specified and proved inadequate, it would be necessary not only to obtain a supplemental appropriation but, prior to that, a separate bill to increase the authorization.

Section 5 of H.R. 8351 would therefore amend section 601 of the Act to provide for general appropriations. Section 6 of that bill would authorize a total of \$500 million in loan guarantees for Amtrak's capital program. Improvement of plant and equipment is an important element in reducing Amtrak's operating deficit. Section 6 also contains certain technical amendments that would conform the Amtrak loan guarantee program with other such programs throughout the government. In addition to these changes, section 306 of the Act would be amended to make Amtrak's and the Department's reports to the Congress conform to the budget cycle. This should insure more expeditious preparation of budget requests based on the latest detailed information released to the public and the Congress.

For the reasons discussed in the immediately preceding paragraphs we would oppose any change to the legislation which would require us to spend specific amounts of monies authorized by Congress in any given year. We would object even more strongly if the amount in question exceeded the amount our analysis indicates is required by Amtrak. Similarly we object to any change in the legislation which would undercut our ability to deal effectively with Amtrak on budget

matters as required by Congress in its 1972 amendments to the Rail Passenger Service Act.

Changes which have been widely reported in the press as being under consideration by the Senate would appear to prevent the Department from exercising the oversight function required by Section 601 of the Act as previously urged upon us by Congress in the 1972 amendments. Other changes relating to submission of legislative recommendations would appear to give Amtrak a status heretofore reserved for regulatory agencies which submit findings and recommendations, which because of their nature, sometimes are inappropriate for advance submission to the Executive Branch.

The remaining legislative proposals address Amtrak's continuing relationship with the rail industry and the Interstate Commerce Commission. Section 404(b) (3) would be amended to eliminate the requirement that Amtrak follow the procedures of section 13(a) of the Interstate Commerce Act and would authorize Amtrak's Board of Directors to reduce train service if the cost of a particular service did not warrant its continuation. However, if a reduction in service would constitute a discontinuance of service between points specified within the basic system established by the Secretary, the discontinuance would require the Secretary's approval. I believe the proposed amendment is justified in light of Amtrak's experimental, public nature, and will relieve Amtrak of the expensive and protracted litigation that has characterized discontinuance proceedings while protecting the public against unjustified discontinuance of intercity rail service. As in the case of establishing the basic system, the Secretary's decisions would not be subject to judicial review.

In addition the bill would amend section 801 of the Act to eliminate the possibility of conflict between the Secretary and the Commission in the exercise of their respective Amtrak regulatory functions. One possible area of conflict is in rail safety matters. In light of the inclusive rail safety authority provided the Department by the Federal Railroad Safety Act of 1970, section 7 of the bill would require the Commission to take into account the rail safety regulations of the Secretary.

Section 801 would also be amended by section 7 of the bill to clarify the extent of the Commission's control over Amtrak's service characteristics. In directing the Secretary to establish the basic system for intercity rail passenger service in the United States, Congress directed in section 201 of the Act that the Secretary establish the basic service characteristics of operations to be provided within the basic system. The ambiguous language of section 801 can be construed to empower the Commission to impose conflicting service obligations on Amtrak and to impair the exercise of Amtrak's operating managerial discretion. This does not appear to have been Congressional intent under the Act. Section 7 of the bill would therefore amend section 801 to exclude from the Commission's jurisdiction the authority to promulgate regulations that relate to the scheduling, frequency of service, or the number or type of cars in a train consist. The Commission would retain authority to ensure that Amtrak provides an adequate level of amenities on its trains and in its facilities.

Finally, sections 1 and 3 of the bill would grant Amtrak a limited power of eminent domain to acquire private property. This power is possessed by most domestic utilities and should facilitate Amtrak's efforts to build modern, efficient terminals in core urban areas and is essential if Amtrak is to acquire property in such areas at reasonable prices. If the dispute over the acquisition of the property is between Amtrak and a railroad, the dispute would be referred to the Commission. Within 120 days the Commission would resolve the public interest aspects of the competing claims for the use of the property for rail purposes. The power would not reach public property.

In conclusion, I would state that Amtrak's progress to date indicates that the 1970 Act has been effective in reversing the previous trend of declining ridership and in improving intercity passenger service. Further improvements now being implemented should increase the progress that has already been made, and, therefore, the Amtrak experiment should be continued. The proposed amendments should aid this development.

This concludes my testimony, Mr. Chairman. I would be pleased to answer any questions the committee may have.

REPORT to CONGRESS

*THE RAIL PASSENGER
SERVICE ACT OF 1970*



MARCH 1973

U.S. DEPARTMENT OF TRANSPORTATION

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
I. SUMMARY/RECOMMENDATIONS	3
II. INTERCITY RAIL PASSENGER SERVICE -- 1973	9
Scheduling: Frequency/Trip Time	
On-Time Performance	
Equipment Fleet	
Reservations and Ticketing	
Fares	
III. SPECIAL ISSUES	57
Assumption of Operation and Control	
Board of Directors	
Mail and Express	
Roadbed	
IV. INTERCITY RAIL PASSENGER SYSTEM RECOMMENDATIONS	79
Route Analysis and Recommendations	
Financial Analysis and Recommendations	
Procedural Recommendation	
V. LEGISLATIVE RECOMMENDATIONS	107

LIST OF TABLES AND FIGURES

- 2- 1 -- Ridership Change - Long Haul
- 2- 2 -- Ridership Change - Short Haul
- 2- 3 -- Sample Short Haul City Pairs - Comparison of
Frequency and Approximate Elapsed Time by
Rail, Air, and Bus
- 2- 4 -- Sample Long Haul City Pairs - Comparison of
Frequency and Approximate Elapsed Time by
Rail, Air, and Bus
- 2- 5 -- Comparison of Elapsed Time of Rail Travel
- 2- 6 -- On Time Performance - Short Haul Routes
- 2- 7 -- On Time Performance - Long Haul Routes
- 2- 8 -- Causes of Delays - Total System
- 2- 9 -- Reasons for Delay - Sample Trains
- 2-10 -- Summary of On Time Performance by Railroad
- 2-11 -- Schedule of Amtrak Car Refurbishing
- 2-12 -- Car Bad Order Ratio - 1972
- 2-13 -- Ratio of Cars to Locomotives
- 2-14 -- Conventional Train Passengers: New York -
Boston City Pair
- 2-15 -- Increase in Passengers in 1972 over 1971:
Boston - New York City Pair - Conventional
Trains
- 2-16 -- Increase in Passengers in 1972 over 1971:
New York - Washington, D. C. City Pair
- 2-17 -- Conventional Train Passengers - New York -
Washington City Pair

- 2-18 -- Long Haul Coach Fare and Ridership Changes
- 2-19 -- Total Metroliner Passengers
- 3- 1 -- Status of Commissary Operations
- 3- 2 -- Mail and Express Revenue
- 3- 3 -- Revenue from Present Mail Routes
- 3- 4 -- Maximum Allowable Speeds
- 4- 1 -- Financial Performance and Ridership - Long
Haul Routes
- 4- 2 -- Sample Daily Intercity Service Between
Indianapolis and Jacksonville
- 4- 3 -- Financial Performance and Ridership - Short
Haul Routes
- 4- 4 -- Present Amtrak System Map
- 4- 5 -- Amtrak System Map with Recommended Changes
- 4- 6 -- Effect of Recommended Change on Rail Passenger
Service
- 4- 7 -- Amtrak Financial Data and Projections
- 4- 8 -- Amtrak Source and Application of Funds
- 4- 9 -- Amtrak Capital Expenditures and Commitments
- 4-10 -- Interstate Highway System Map

GUIDE TO RAILROAD NAME ABBREVIATIONS

ATSF	Atchison, Topeka, and Santa Fe
B&O	Baltimore and Ohio
BN	Burlington Northern
BM	Boston and Maine
C&O	Chesapeake and Ohio
CV	Central Vermont
ICG	Illinois Central Gulf
LN	Louisville and Nashville
MILW	Chicago, Milwaukee, St. Paul, and Pacific
MP	Missouri Pacific
PC	Penn Central
RFP	Richmond, Fredericksburg, and Potomac
SCL	Seaboard Coast Line
SP	Southern Pacific
UP	Union Pacific

INTRODUCTION

This report is submitted pursuant to section 806 of the Rail Passenger Service Act of 1970, as amended (45 U.S.C. 645) (hereinafter "the Act"). Section 806(a) requires the Secretary of Transportation to transmit to the Congress on or before March 15, 1973, a comprehensive report on and evaluate the effectiveness of the Act in achieving and promoting intercity rail passenger service and on the effectiveness of the Corporation in implementing the purposes of the Act. Section 806(a) also requires the Secretary to evaluate, among other things, the adequacy and effectiveness of services provided by the Corporation and its immediate and long-term financial needs. In addition to this general mandate, section 806(b) requires that the report shall include:

(1) recommendations for the orderly assumption by the Corporation of the operation and control of all aspects of its intercity rail passenger service, including the performance by the Corporation of all full-time functions solely related to the intercity rail passenger service provided by it under this act;

(2) an assessment of whether the board of directors of the Corporation adequately and fairly represents the members of the public who utilize intercity rail passenger services and, if necessary, recommendations for appropriate changes in the composition of such board of directors;

(3) estimates of potential revenues for the Corporation from the transportation of mail and express on intercity passenger trains;

(4) a detailed analysis of the on-time performance of intercity rail passenger service operations assumed by the Corporation, together with such recommendations as the Secretary may deem advisable to eliminate delays in such intercity rail passenger service operations caused by freight train operations;

(5) recommendations with respect to the establishment of the optimum intercity rail passenger service system as soon as possible after July 1, 1973, taking into account economic feasibility, requirements as to public convenience and necessity, and the ability of the Corporation to provide adequate service over the total system, which optimum system shall include recommended routes and discontinuances; and

(6) recommendations with respect to the improvement of tracks and roadbeds on routes over which the Corporation operates intercity passenger trains.

This Report covers only intercity rail passenger service provided by the National Rail Passenger Corporation (Amtrak) under the Act. It does not cover intercity rail passenger service presently being provided by (1) the Southern Railroad between Washington D. C. and New Orleans; (2) the D&RGW Railroad between Denver and Ogden; (3) the Rock Island between Chicago, Peoria and Rock Island; and, (4) Autotrain between Washington, D. C. and Orlando, Florida.

The possible impact on Amtrak's operations of the Penn Central bankruptcy case is not discussed in this report, except for Penn Central's claim for higher payments under its operating contract. The overall Northeast railroad problem including the Penn Central bankruptcy is the subject of another report which Congress requires the Secretary of Transportation to submit on March 26, 1973. The Department of Transportation recognizes that, in addition to its freight operations, the Penn Central represents a very large segment of Amtrak's operations. Approximately 15 percent of Amtrak's route miles and 40 percent of its passenger miles are on the Penn Central system. The highest traffic density line -- Washington-to-Boston -- utilizes Penn Central facilities and personnel. Thus, intercity rail passenger service requirements in the Northeast need to be considered in the context of the total railroad problem in this important region.

Part I of the report summarizes the material contained in the report and includes a listing of the Department's recommendations.

The matters discussed in Part II are analyzed on the basis of Amtrak's historical operation to date and include discussions of scheduling, on-time performance, equipment acquisition and refurbishment, reservations and ticketing and fare structures.

Part III considers the special issues listed in section 806(b) of the amended Act. This includes the orderly assumption by Amtrak of the operation and control of all aspects of its operations, assessment of Amtrak's Board of Directors, estimate of the potential benefit to Amtrak from the transportation of mail and express, and the problem of track and roadbed improvements.

Part IV contains the evaluation of existing routes, recommendations as to future routes and operations, and a financial analysis of Amtrak's operations.

Part V presents legislative recommendations and supporting justification.

I. SUMMARY/RECOMMENDATIONS

Intercity rail passenger service has been the subject of Congressional interest for several years. This report, submitted in accordance with the 1972 amendments of the Rail Passenger Service Act of 1970, marks the third time in three years that Congress has dealt with intercity rail passenger service.

In 1970, the Nation was faced with several fundamental choices on the future of rail passenger service. The first was to subsidize existing service to keep alive or perhaps slightly improve a badly deteriorating system run by the railroads. The second was to allow the very few economically viable trains to survive under existing railroad management and to permit the others to eventually die. The third was to place passenger service under new management which would restructure service, cut costs, and improve quality of service. The purpose would be to determine whether there was, indeed, a place for rail passenger service in a balanced transportation system. Congress, in enacting the Rail Passenger Service Act of 1970, chose the third alternative.

During the 22 months that the National Railroad Passenger Corporation (Amtrak) has been operating intercity trains, progress has been made toward improved rail passenger service and the unified national system intended by Congress in the 1970 Act. However, many of the changes are not yet apparent to the traveling public, and will take additional time to implement. Many needed changes are still to be initiated.

Programs actively underway provide for improving equipment, reservations, schedules, fare structure, food service, and other passenger comforts. Administrative changes necessary to the efficient and economic operation of the corporation are also underway, and include improved data collection on revenue, expenses and ridership, improved cost control, auditing of contracts with participating carriers and assuming direct control over functions solely related to intercity passenger service.

The first years of Amtrak's operations are formative ones. Therefore, it is not possible at this time to assess with any finality the success of the effort to revitalize intercity rail service. There are some notable gains, which support the general assessment that Amtrak has made progress toward improving intercity rail service.

Among the indicators of progress are:

- Ridership in the period May-November 1972 was 11% higher than in the corresponding period of 1971.
- The net cash loss from operations in FY 1972 was \$152.7 million; the FY 1973 loss is estimated at \$124.0 million. Under the route and service levels recommended in this report it is estimated to decline further to \$95.6 million in FY 1974.
- Revenue increased from \$150.5 million in FY 1972 to an estimated \$179.4 million in FY 1973.
- Amtrak acquired its own fleet of 1550 passenger cars and 420 locomotives. A major refurbishment program is underway.
- New turbine powered trains have been either purchased or ordered from U.S., Canadian, and French manufacturers.
- Amtrak simplified tickets, timetables and fares; a new computerized reservation system is being implemented.
- On train services have improved measurably; train directors are being placed on most trains to supervise services.

Conclusion

Based on these indicators, as well as on the recognition that many important service improvements have not yet become operational, the Department finds that under the authority of the Act Amtrak has taken important steps to improve intercity rail passenger service.

Recommendations

While the Department of Transportation continues to study the long term role of Amtrak it recommends that the effort be continued along the present lines and that the Congress enact legislation prior to July 1, 1973, authorizing Federal grants and loan guarantees to carry the program forward on the basis of the system recommended in this report. The President's FY 1974 budget request includes appropriate funding for this purpose.

Route System

Given initial development of the Basic System and the overall financial position of Amtrak, DOT did not undertake a specific analysis of whether new routes should be started. The level of existing service must be stabilized and improved prior to making additions. At this formative state of Amtrak's operation the initiation of additional service through FY 1974 should not impair the financial ability of the corporation to operate other services. Any decision to add service should be based on an assessment of markets, ridership and revenue potential, and costs.

The Department of Transportation conducted an intensive evaluation of all long haul and short haul routes operated as part of the Basic System or as an experimental service. The evaluation was based on the original eight criteria used to identify the Basic System. The evaluation was accomplished in four steps:

1. Identify the routes whose performance raised questions as to whether they meet eight specific criteria.
2. Compare the DOT analysis with that of Amtrak and its consultants.
3. Examine questionable routes to see whether changes are underway or could be made to warrant their retention in the system.
4. Examine the impact of eliminating the route against the overall criteria, with regard to the area and specific population affected.

Long Haul Routes

Four long haul routes were identified as having little or no potential. They were:

Chicago-Houston
 Chicago-Florida
 Chicago/D.C.-Newport News
 New York/Kansas City-D.C.

The four routes identified in the DOT analysis compared closely with the long haul "problem" routes identified by Amtrak and its consultant, McKinsey & Co. For example, McKinsey & Co. stated that "current volume appears to be too far from supporting breakeven operations and the total market potential too limited to justify continued service on the four routes, -- Chicago-Houston, Chicago-Miami, New York/Kansas City-Washington, and Norfolk-Cincinnati."

Each route in this group was then examined to see whether, with operating changes, its continuance was warranted.

In summary it was found:

Chicago-Florida and the New York/Kansas City-Washington routes should be discontinued. The service from Chicago through Cincinnati should be continued to Richmond at which point it would connect with the New York-Florida trains. The Richmond-Newport News segment of this route should be discontinued. The Chicago-to-Kansas segment of the Chicago-Houston route should be combined with the Chicago-Los Angeles route during the off-season.

Short Haul Routes

A similar procedure was used to evaluate the short haul routes served by Amtrak.

Two routes, Chicago-Milwaukee and Washington-Parkersburg, West Virginia, were identified as not meeting the evaluation criteria. On the basis of the analysis of all data, it was concluded:

The experimental Washington-Parkersburg route should be discontinued.

The Chicago-Milwaukee route should be continued to confirm whether the initiation of TurboTrain service and other service changes will improve the ridership response on this route and reduce costs.

International Routes

The 1972 amendment to the Act required that Amtrak initiate service between points within the United States and Montreal, Canada; Vancouver, Canada; and Nuevo Laredo, Mexico.

Since the routes have been operating for such a brief time, it is not possible to project their long term public acceptance and financial performance. At least one more year of operation is required for a fair market test of these routes.

Financial

The projection of corporate finances is a difficult task even for an ongoing corporation with an established product and market. In the case of Amtrak more than the usual amount of uncertainties exist. Based on the recommended route structure, a Federal grant of \$93 million is needed to underwrite losses from operations in FY 1974, and an increase in loan guarantee authority is required to permit additional capital improvements.

Legislative Changes

Two significant legislative issues are identified:

- Amtrak, under its unique charter, differs substantially from rail carriers which provided service prior to May 1, 1971 and which were regulated by the ICC.
- Amtrak's operating and capital programs continue to require Federal support.

Consistent with Amtrak's unique charter and its program needs, the Department of Transportation recommends:

1. Eliminating ICC review of discontinuances of service required by the Basic System.
2. Clarifying ICC jurisdiction over Amtrak service to exclude those aspects relating to quantity of service.
3. Authorizing open-ended appropriation authorization and increase loan guarantee authority to \$500 million.
4. Changing the date of Amtrak's Annual Report to Congress to coincide with DOT and ICC Reports -- March 15.

II. INTERCITY RAIL PASSENGER SERVICE - 1973

On May 1, 1971, the first Amtrak train rolled ceremoniously out of Washington's Union Station heading to New York. This inaugural run initiated the unique involvement of government, industry, labor, and the traveling public in the effort to find a proper place for intercity rail passenger service in a balanced national transportation system.

In the intervening months, progress has been made toward achieving this objective. It is not yet possible to render a complete and final judgment of the level of success which has been achieved or which can be projected. The time that Amtrak has had to organize, analyze the problems, to define and implement solutions, and to reap the benefits has been very short. Many of the first operating and capital improvements are just now beginning to bear fruit.

In the past three years, it has been necessary for the Congress on several occasions to devote particular attention to intercity rail passenger service. The submission of this report represents another milestone in the effort to define an appropriate role for rail service in a balanced transportation system. As a result of actions prescribed in the Rail Passenger Service Act of 1970, and its subsequent amendment in 1972, improvements in intercity rail passenger service have taken place. Much yet remains to be done to achieve all of the objectives specified in the Act, but a foundation has been established.

In addition to a review of the progress of Amtrak to date, this first Section of the report discusses the following topics:

- o Scheduling: frequency/trip time
- o On-time performance
- o Amtrak's equipment fleet
- o Reservations and ticketing
- o Fares

In 1970, the Nation faced several fundamental choices on the future of rail passenger service. The first was to subsidize existing service to keep alive and perhaps slightly improve a badly deteriorated system. The second was to allow the very few economically viable trains to survive under existing railroad management and to permit the others to eventually die. The third was to place passenger service under new management which would restructure service, cut costs, and improve quality. The purpose would be to determine whether there was, indeed, a place for rail passenger service in a balanced transportation system. The Congress in enacting the Rail Passenger Service Act of 1970, chose the third alternative.

The Act provided three basic sources of the initial capital for the corporation. First, Section 601 authorized a \$40 million Federal grant to the corporation. Second, Section 401 provided a procedure by which the railroads would contribute nearly \$197 million in consideration of Amtrak relieving them from the responsibility for intercity passenger service. These payments were to be made over a thirty-six month period. Third, and finally, Section 602 of the Act authorized the Secretary of Transportation to guarantee repayment of \$100 million loans to Amtrak.

These amounts were established without a clear understanding of the rail system which Amtrak was to operate, the revenues or costs associated with that system, the capital investments required to provide a quality service competitive with other contemporary modes, and the time and costs associated with molding the fragmented operations of thirteen separate carriers into a unified national rail system.

The Act also provided the opportunity under Section 403(b) for State, regional, or local agencies to request service beyond that included in the Basic System. The provision was a reasonable portion of the losses associated with requested service would be borne by the requesting agency. A reasonable portion was defined as no less than two thirds of the losses associated with the services provided. Routes initiated under this section were:

1. New York-Chicago via Cleveland
2. Springfield-Boston
3. Chicago-Quincy
4. Philadelphia-Harrisburg

The New York to Chicago route via Cleveland was discontinued when the required resources did not materialize from the States involved. While this provision of the Act has not been used often, the Section 404(b) routes which are operating have been mutually satisfactory to both Amtrak and the States.

Section 404(b)(1) of the Act required the corporation to provide service on the Basic System until July 1, 1973. After that time, Amtrak may discontinue service required by the Basic System pursuant to Section 404(b)(3). Thus, while Amtrak has a great deal of flexibility to meet its responsibilities, it must maintain service on the Basic System until July 1, 1973.

The period to July 1, 1973 can be viewed as one phase of an experimental effort to determine the appropriate role and level of rail passenger service in a balanced national transportation system. This required that Amtrak be given the resources necessary for a full and fair evaluation of this unique and important undertaking.

Since Amtrak has been operating intercity trains, progress toward improved rail passenger service and the desired unified national system has been made. The results of many of the changes are not yet apparent to the traveling public, and others will take more time to implement. Programs are actively underway to improve

equipment, reservations, schedules, fare structure, food service, and other passenger comforts. Administrative changes for efficient and economical operation are also underway; these include improved data collection on expenses and ridership, improved cost control, auditing of contracts with participating carriers, and performing functions solely related to intercity passenger service rather than contracting with the participating railroads for them.

The following are indicators of progress:

- Ridership (passenger miles) in the period May-November 1972 was 11% higher than in the corresponding period of 1971. (Tables 2-1 and 2-2 show the route-by route changes) The 2.84 billion miles of passenger service that Amtrak provided in FY 1972 will increase to about 2.99 billion passenger miles in FY 1973.
- The net cash loss from operations in FY 1972 was \$152.3 million; the FY 1973 loss is estimated at \$124.0 million. Under the route and service levels recommended in this report the loss is estimated to decline further to \$95.6 million in FY 1974.
- Revenue increased from \$152.7 million in FY 1972 to an estimated \$179.4 million in FY 1973. Also a 2% reduction in the operating costs per passenger mile was realized during this period of generally increasing prices.

Based on these indicators and on Amtrak's plans, the Department recommends that Federal support of intercity rail passenger service be continued as proposed in the President's budget and that the Congress enact legislation prior to July 1, 1973, authorizing Federal grants and loan guarantees adequate to carry the program forward on the basis of the system recommended in this report. The President's budget includes funding for this purpose.

TABLE 2-1

Ridership Changes

Long Haul

May - November 1972 vs. 1971

	Passenger Miles (Millions)		
	<u>1971</u>	<u>1972</u>	<u>%Change</u>
Los Angeles-New Orleans	50.19	58.18	+16%
Chicago-Los Angeles	234.78	243.03	+ 4%
Chicago-San Francisco	99.23	118.75	+20%
Chicago-Seattle (North)	170.21	154.22	-10%
Southern Montana	28.36	56.57	+99%
Seattle-Los Angeles	32.74	56.57	+92%
Chicago-Houston	68.49	66.10	- 3%
New York/D.C.-Kansas City	23.06	41.06	+78%
New York/D.C. Chicago	59.48	67.84	+14%
Chicago-D.C./Newport News	13.35	17.68	+33%
Chicago-Florida	27.68	25.65	- 8%
*Chicago-New Orleans	69.39	61.66	-13%
New York-Florida	246.52	237.30	- 4%

*(Reflects Schedule Reduction
on Chicago-Carbondale Segment)

TABLE 2-2

Ridership Changes

Short Haul

May - November 1972 vs. 1971

	Passenger Miles (Millions)		
	<u>1971</u>	<u>1972</u>	<u>%Change</u>
Chicago-Detroit	7.44	12.15	+63%
Chicago-Milwaukee	6.92	9.93	+43%
Los Angeles-San Diego	10.85	14.91	+37%
Chicago-St. Louis	16.35	21.73	+33%
Portland-Seattle	8.23	10.11	+23%
Northeast-Corridor	438.40	511.97	+17%
New York-Buffalo	34.15	39.19	+14%

SCHEDULING: FREQUENCY/TRIP TIME

The competitive framework in which Amtrak must operate is a challenging one. Most towns served by Amtrak are also served by at least one competing mode. There is a web of interstate highways roughly paralleling most of Amtrak's main routes. When Amtrak entered the competition, intercity rail travel was on a severe downward trend. Over the past two decades, the airline share of the overall intercity market reached 9.1%, bus stabilized at 2.1%, and rail had declined to 1.1%. Private auto trips accounted for the remainder. As a result, Amtrak faced strong competition in most of its markets.

To meet the challenge of competition, Congress gave Amtrak the ability to be as innovative and flexible as necessary in the critical areas of scheduling service and train frequency. Unlike the pre-Amtrak carriers that had to apply for ICC approval of schedule and frequency changes, Congress exempted Amtrak from all such regulatory control. It was an important element in Amtrak's early ability to begin building an intercity rail service that could respond to market changes and traveler preferences.

Frequency

Today's traveler demands maximum flexibility in his movement -- he wants to travel when it is convenient for him. The popularity of the automobile stems in part from the desire not to be tied to a timetable. When one chooses public transportation, it is done with many factors in mind; one factor is frequency of departure offered by a carrier. This factor is critical on many short trips but diminishes with distance. Few would wait 16 hours for the next departure from Washington to Baltimore, but many would wait that time if going from Washington to San Francisco. Trip purpose also is a consideration when assessing the importance of frequency. A casual traveler, perhaps visiting a friend, can adjust to a schedule easier than can a businessman or emergency traveler who must be in a certain place at a certain time.

As shown in Tables 2-3 and 2-4, Amtrak provides more frequent service in short-haul markets than in long-haul. In the Northeast Corridor, Amtrak offers its greatest service frequency with 12 trains daily between New York and Boston,

TABLE 2-3
SAMPLE SHORT-HAUL CITY PAIRS
COMPARISON OF FREQUENCY AND APPROXIMATE ELAPSED TIME BY RAIL, AIR, AND BUS

Principal City Pairs	Number of One-Way Daily Frequencies		Approximate Elapsed Time (Hours)		***
	Rail	Air (Non-stop)	Rail	Air	
<u>Northeast Corridor</u>					
Boston - New York	12	48	42	4.5 (3.9)**	4.3
Boston - Philadelphia	9	20	1	6.3	7.4
Boston - Washington	5	11	5	2.5	2.0
New York - Philadelphia	7	24	43	1.9	1.6
New York - Washington	40	24	63	1.9 (1.3)**	2.3
New York - Baltimore	22	3	4	2.2 (1.7)**	1.1
New York - Washington	23	17	36	3.2 (2.4)**	3.5
New York - Baltimore	23	59	69	3.8 (3.0)**	4.0
Philadelphia - Washington	23	36	34	2.2 (1.8)**	2.7
<u>Seattle - Vancouver, British Columbia</u>					
Seattle - Vancouver	1	4	11	4.1	2.9
<u>Los Angeles - San Diego</u>					
Los Angeles - San Diego	3	54	40	2.8	2.1
<u>Chicago - Detroit</u>					
Chicago - Detroit	2	8	7	2.8	3.0
Chicago - Detroit	2	35	8	5.8	5.3
Kalamazoo - Detroit	2	5	5	2.9	3.6
<u>Chicago - St. Louis</u>					
Chicago - Springfield	2	17	9	3.2	3.5
Chicago - St. Louis	2	28	14	5.3	5.5
Springfield - St. Louis	2	10	10	2.0	1.8
<u>Chicago - Milwaukee</u>					
Chicago - Milwaukee	7	22	19	1.5	1.8

* TurboTrain

** Matroliner

*** Terminal-to-Terminal Route Time

TABLE 2-4
SAMPLE LONG-HAUL CITY PAIRS
COMPARISON OF FREQUENCY AND APPROXIMATE ELAPSED TIME BY RAIL, AIR, AND BUS

Principal City Pairs	Number of One-way Daily Frequencies		Approximate Elapsed Time (Hours)	
	Rail	Air (Non-stop)	Air	Bus
<u>New York/Washington - Chicago</u>				
New York - Chicago	1	67	16.9	16.5
Philadelphia - Chicago	1	14	15.5	18.0
Washington - Pittsburgh	2	12	8.8	4.3
Washington - Chicago	1	30	17.2	15.8
Baltimore - Chicago	1	9	16.6	17.8
Pittsburgh - Chicago	1	23	8.2	10.0
<u>Chicago - Los Angeles</u>				
Chicago - Kansas City	2	20	7.5	13.0
Chicago - Albuquerque	5	5	23.2	31.8
Chicago - Los Angeles	1	24	40.0	49.8
Kansas City - Los Angeles	7	1	32.3	38.8
Albuquerque - Los Angeles	1	6	16.4	17.0
<u>Chicago - San Francisco</u>				
Chicago - Omaha	1	10	8.6	10.5
Chicago - Denver	1	21	18.0	23.8
Chicago - San Francisco	3/7	15	48.9	49.7
Denver - Cheyenne	3/7	5	2.2	2.5
Denver - Salt Lake City/Ogden	6/7	11	12.3	11.5
Denver - San Francisco	3/7	14	29.4	29.2
Salt Lake City/Ogden - San Francisco	3/7	15	17.7	13.5
San Francisco - Denver	3/7	15	17.8	4.5
Sacramento - San Francisco	3/7	15	2.8	1.5
<u>Seattle - Los Angeles</u>				
Seattle - Portland	2	36	3.8	3.1
Seattle - San Francisco	3/7	17	16	17.8
Seattle - Los Angeles	3/7	11	31.1	25.0
Portland - San Francisco	3/7	19	16.7	13.0
Portland - Los Angeles	3/7	10	27.0	22.2
San Francisco - Santa Barbara	3	3	8.4	7.1
San Francisco - Los Angeles	1	79	24	8.0
San Jose - Los Angeles	1	18	10.6	7.0
Santa Barbara - Los Angeles	1	3	2.2	2.0
<u>New Orleans - Los Angeles</u>				
New Orleans - Houston	3/7	19	8.4	7.8
New Orleans - Los Angeles	3/7	2	44.0	44.0
Houston - San Antonio	3/7	21	4.3	3.0
Houston - Los Angeles	3/7	9	35.3	36.2
El Paso - Los Angeles	3/7	16	17.8	16.7
Tucson - Phoenix	3/7	23	2.5	2.0
Tucson - Los Angeles	3/7	5	12.3	10.7
Phoenix - Los Angeles	3/7	14	9.0	7.8

* Terminal-to-Terminal Route Time

23 between New York and Washington, D.C., and 40 between New York and Philadelphia. In these short-haul markets, where airport location is a major factor in determining total trip time (portal to portal), rail has the potential of being both time and cost competitive with air.

In the short-haul markets in the West and Midwest, Amtrak generally offers two to three trains per day. In one instance, Chicago - Milwaukee, Amtrak has increased daily train departures to seven. In the Los Angeles - San Diego corridor there are three train, 40 bus and 54 air departures daily. In the Chicago - St. Louis corridor there are two endpoint-to-endpoint trains per day, 28 air flights and 14 buses. In these West and Midwest corridors, Amtrak has not been able to make as large an impact on the passenger market as in the Northeast, but schedule changes and plans for new equipment could start a growth pattern as in the Northeast Corridor.

Since frequency is not a critical factor in long-haul markets, Amtrak usually offers one trip per day. There are four routes that have tri-weekly service and one route, New York - Florida, has two to four trains per day depending on the season.

Table 2-4 is a sample comparison of long-haul routes. As expected, air travel dominates endpoint travel in these long-haul markets. Buses have considerably more departures than rail in serving intermediate points.

While schedule frequency is not as critical an issue in long haul service as in short haul, scheduling freedom is still an important element in developing a market and controlling costs. Free from regulatory restraint, Amtrak can respond directly to seasonal travel peaks without having to maintain the same level of frequency in off-peak seasons.

Trip Time

As with frequency, the value placed on trip time is determined at least partially by trip distance and trip purpose. To a sightseer, the journey might be as important as the destination. But to the majority of travelers, the destination is the desired goal, and the mode of transportation is a means toward that end. Trip time is not the sole criteria for mode choice. However, every traveler is desirous of reaching his destination in a

reasonable amount of time. If rail trip time is not comparable to other ground modes, it then must compete solely on other factors such as price and on-board services. There is a point, however, where long trip time will destroy the mode's ability to compete.

Table 2-3 shows the elapsed time in sample short-haul markets, Amtrak is competitive with highway travel in 14 of 18 of these sample markets and competitive with air in time from center city to center city on some. Research by both Amtrak and DOT has defined two important short-haul market segments. These are discussed fully in the section on Fares. Briefly, these market segments are defined by trip purpose, i.e., trips for business or emergency purposes and trips for non-business purposes, including recreation, shopping, vacation. Both the business and nonbusiness market segments require a reasonable, i.e., highway-competitive, trip time. In corridors, the business and emergency market segments require even shorter trip times to be competitive in the marketplace.

Research by McKinsey & Co. for Amtrak has shown that competitive trip times in corridor areas are an important part of Amtrak's service mix. This confirms DOT and Amtrak experience within the Northeast Corridor. Through its capital budget for FY 1973, Amtrak plans to further test this hypothesis through the purchase or lease of higher speed equipment for corridor use.

Data in Table 2-4 shows elapsed trip time for long-haul trains. Again, several market segments are served by long distance trains. Sleeping car passengers include overnight business travelers and nonbusiness vacation travelers.

Long distance trains also serve two types of coach markets: long distance and short distance. Short distance coach passengers view the segments of long distance trains much as they would view corridor service and require the same type of competitive trip time. The requirements of longer haul coach and sleeping car passengers are usually not as stringent, however; and competitive elapsed time between key points is perhaps not as critical as other considerations such as on-board food service, service personnel, and equipment.

Table 2-5 shows the pattern of present elapsed times and elapsed times prior to Amtrak. Amtrak has improved transit time between endpoint cities in roughly half of their markets, since taking over passenger service.

TABLE 2-5
COMPARISON OF ELAPSED TIMES OF RAIL TRAVEL

ROUTE	MILES	(A)		(B)		CHANGE WITH AMTRAK (B)-(A)	PRESENT AVERAGE SPEED (M.P.H.)
		BEST PRESENT* AMTRAK TIME (10/29/72)		BEST TIME* IMMEDIATELY PRIOR TO AMTRAK (APRIL 1971)			
Boston - New York	232	3:55 (5)		3:48 (5)		-0:07	59.2
New York - Washington	225	2:59 (4)		2:55 (4)		-0:04	75.4
Buffalo - New York	436	8:20 (11)		7:29 (10)		-0:51	52.3
New York - Miami	1377	26:12 (20)		25:15 (30)		-0:57	52.6
New York - St. Petersburg	1251	23:05 (25)		26:00 (34)		+0:55	50.0
New York - St. Louis	1050	21:30 (21)		21:50 (21)		+0:20	48.8
New York - Chicago	907	16:50 (14)		16:45 (13)		-0:05	53.9
Chicago - Los Angeles	2222	40:05 (27)		40:00 (29)		-0:05	55.6
Chicago - Oakland	2420	47:15 (29)		45:40 (-)		-1:35	51.2
Chicago - Seattle	2289	46:50 (32)		45:00 (-)		-1:50	48.9
Chicago - Milwaukee	85	1:29 (1)		1:30 (1)		+0:01	56.7
Chicago - St. Louis	284	5:20 (7)		5:20 (7)		NC	53.2
Chicago - Miami	1603	36:25 (24)		34:30 (35)		-1:55	43.9
Cincinnati - Newport News	655	13:25 (12)		14:40 (26)		+1:15	40.8
Chicago - New Orleans	926	17:20 (22)		17:15 (27)		-0:05	53.4
Chicago - Houston	1368	26:55 (29)		26:40 (33)		-0:15	50.8
Chicago - Carbondale	312	5:20 (7)		5:05 (7)		-0:15	58.5
Chicago - Detroit	282	5:45 (5)		5:55 (6)		+0:10	49.0
Chicago - Minneapolis	421	7:40 (5)		8:10 (14)		+0:30	54.8
Chicago - Denver	1034	17:15 (15)		16:50 (25)		-0:25	60.0
Portland - Seattle	136	3:45 (4)		3:45 (6)		NC	49.6
Vancouver - Seattle	150	4:15 (7)		3:45 (8)		-0:30	36.7
Portland - Oakland	709	16:10 (6)		16:50 (13)		+0:40	43.8
Los Angeles - San Diego	128	2:45 (5)		2:45 (8)		NC	46.5
Los Angeles - New Orleans	2033	44:00 (16)		44:10 (38)		+0:10	46.2
San Jose - Los Angeles	426	8:35 (5)		8:35 (5)		-0:15	48.4
St. Louis - Kansas City	279	5:45 (4)		5:30 (12)		-0:15	48.5
Chicago - Washington	854	16:59 (11)		16:55 (11)		-0:04	50.2

NOTE: Times in hours:minutes.

* Number of Intermediate Stops shown in ()

Summary

Proper scheduling of service, frequency appropriate to the market served, and competitive trip times are all critical to the success of Amtrak. Therefore, Amtrak must be left free of regulatory constraints so that changes may be made rapidly to respond to new and changing market needs.

ON-TIME PERFORMANCE

On-time performance affects more than just the prestige of a transportation company. Consistently poor operating performance makes for an unsaleable product. Poor performance results in missed connections, inconvenienced passengers, wasted space and equipment, and lost revenue. Late trains require an alteration of normal operating procedures. In addition, stand-by equipment must be maintained and crew shifts must be extended, to name only a few of the problems. All of this is costly.

Congress has requested a detailed analysis of causes for passenger train delay with particular emphasis on freight train interference, in this evaluation and assessment of the initial 22-month period of Amtrak operation.

Types of Delays

Delays can be basically classified into three categories:

1. Delays that can't be helped ("Acts of God") such as the disruptions caused by Hurricane Agnes during the summer of 1972.
2. Delays that are unavoidable in the short run, but that could be corrected given some time. These would include equipment, motive power and signal breakdowns, and freight and passenger train derailments caused by bad track.
3. The final category of delay is correctable quickly; it includes delays due to freight train interference, bad dispatching, and crew laxity.

Although "Acts of God" cannot be prevented, when railroad carrier finances deteriorate the ability to recover from major disasters diminishes.

The second and third categories identified above can be improved. Delays attributable to track and equipment failures require the expenditure of capital funds. Correction of delays due to operating procedures will require the application of more managerial effort on the part of both Amtrak and the operating carriers.

In assessing Amtrak's on-time performance, it is important to distinguish between short and long-haul services. Short hauls are generally routes less than 500 miles long, often termed "corridor" routes, usually with more than one train per day. Long-haul routes range from 500 to over 2,400 miles and are usually operated on a single daily or a tri-weekly basis.

As expected, long hauls are more prone to delays than short hauls. For example, the average on-time performance for the first 11 months of 1972 was 82% for the short hauls, and 53% for the long hauls. The long distance runs, by virtue of their exposure to many miles of railroad, encounter more problems. Further, these trains tend to be longer, are more prone to equipment problems, and are more likely to encounter track slow orders (points at which speed must be reduced due to temporary bad track conditions or ongoing traffic work). The chance of a problem which could cause a delay increases in relation to the number of pieces of equipment used and the distance a train runs.

Short hauls benefit from the relatively brief exposures in corridor traffic and, usually, shorter trains. Some short hauls also operate on routes with heavy traffic by commuter, freight, and other Amtrak trains. In these cases, the railroad is generally operated with more precision and better maintenance. On lines where other traffic is sparse, freight schedules may be less rigid and procedures, such as switching on the mainline, may be a potential cause for delay. Tables 2-6 and 2-7 show the on-time performance for various Amtrak short-haul and long-haul routes for the 18 months beginning July 1, 1971.

TABLE 2-6
ON TIME PERFORMANCE
SHORT HAUL ROUTES

ROUTE	Northeast Corridor															
	Chicago-Milwaukee	Philadelphia-Harrisburg	Los Angeles-San Diego	Seattle-Portland	Metroliner	Conventional (NY-Phil)	Shore Line (NY-Boston)	Valley Line (NY-Boston)	Washington	Chicago-Detroit	Chicago-St. Louis	Chicago-Carbondale	Parkersburg	Chicago-Minneapolis	New York-Rutland	Chicago-Quincy
Contract	MILE	PC	ATSF	BN	PC	PC	PC	PC	PC	PC	ICC	ICC	ICC	MTLW	NY	BN
Railroad	85	103	128	186	226	226	232	253	458	283	284	312	351	421	456	262
Mileage	5	10	3	2	14	13	3	1	9	2	2	1	1	1	5	1
% of round trip day	98.21	93.61	96.61	74.11	84.31	80.41	69.11	82.41	83.31	80.41	52.21	84.81	93.51	--	74.51	--
1st Q. 71	97.3	94.2	93.7	80.8	64.4	88.4	76.8	74.1	73.0	87.1	60.7	77.7	81.2	48.21	76.6	59.41
4th Q. 71	95.0	93.5	96.5	68.6	85.0	93.9	85.3	88.2	80.4	91.9	71.1	82.1	74.0	83.4	77.7	81.7
1st Q. 72	93.6	87.2	95.8	84.0	73.5	93.2	78.0	85.4	55.1	94.3	75.3	83.5	68.4	88.5	81.8	72.3
2nd Q. 72	92.7	83.0	90.5	84.2	70.6	96.2	71.1	87.9	55.8	90.7	80.4	83.1	76.2	87.0	79.3	76.6
3rd Q. 72	82.4	79.7	96.3	89.5	74.7	94.9	59.1	71.8	68.1	88.4	58.9	41.4	73.9	85.7	75.0	56.0
4th Q. 72																

NOTE: Figures in table are the percentage of runs which run on time, using a 6 minute standard.

TABLE 2-7
ON TIME PERFORMANCE - LONG HAUL ROUTES
(DAILY SERVICE UNLESS NOTED)

	Cincinnati- Columbus	Washington- Baltimore	New York- Chicago	Chicago- New Orleans	NY/Wash- St. Louis	Chicago- Denver	New York- Kansas City	ATSF	Chicago- Houston	Seattle- Los Angeles	PC/BN/MT/SP	Minneapolis- Spokane	Chicago- Miami	New Orleans- Los Angeles	Chicago- Los Angeles	Chicago- Seattle	Chicago- Portland
Contract Railroad Mileage	599	670	970	926	987	1034	1329	1368	1375	1377	1503	1603	2033	2222	2289	2420	
3rd Q. 71	83.0	--	70.5	48.2	55.4	62.5	37.5	92.9	10.4	60.5	64.7	56.2	53.6	49.1	43.7		
4th Q. 71	53.3	--	64.5	41.2	61.0	55.8	44.5	88.7	50.0	53.1	60.3	25.6	48.7	69.2	62.1	51.3	
1st Q. 72	40.2	--	75.5	31.6	53.6	87.2	40.1	88.5	76.0	58.9	55.7	45.0	72.8	80.6	43.3	83.5	
2nd Q. 72	70.4	--	57.6	33.1	62.1	94.7	33.0	79.1	70.7	54.8	69.6	65.8	57.4	69.5	71.3	77.3	
3rd Q. 72	33.7	0.0	7.6	14.1	39.1	83.3	25.4	70.8	39.3	55.7	62.8	67.9	51.0	58.2	64.7	54.8	
4th Q. 72	41.4	29.3	21.3	9.2	52.2	70.3	10.8	70.7	54.9	57.7	63.8	45.3	59.6	42.4	58.4	28.0	

* = Tri-weekly

** = 4 round trips during winter season, 3 during rest of year.

NOTE: Figures in table are the percentage of runs which were on time, using a 6 minute standard.

To assess these figures, some comments are necessary.

1. Amtrak's standard for on-time performance is very rigid: six minutes. This compares to a 15 minute standard in the airline industry.
2. Good performance is sometimes a function of a schedule that is unnecessarily slow.
3. Some of the extremely poor performance exhibited in the East during the summer of 1972 is attributable to Hurricane Agnes. In certain cases, performance has not yet recovered to pre-Hurricane levels.
4. It is important to note the amount of lateness. Delays on long hauls are frequently major, often an hour or more. On shorter runs, delays often are only a few minutes.

Short Hauls

The on-time performance of Metroliners (see Table 2-6) is not satisfactory, in view of the premium nature of the service. Among the reasons for the less than ideal performance are track delays, some interference from heavy rail congestion, and equipment problems.

Other notably poor performance is found on:

1. Chicago - Quincy
2. Chicago - St. Louis
3. Chicago - Carbondale (4th Qtr. '72)
4. New York - Boston (Shore Line)
5. Boston - Washington

The last two routes together cover nearly half of the conventional trains in the Northeast Corridor. They show a poor level of on-time operation. One chronic problem causing delays is the Metropolitan Transportation Authority commuter station rebuilding program between New York and New Haven. This should be completed in 1973.

Especially noteworthy for good on-time performance is:

1. New York - Washington (conventional)
2. Chicago - Detroit
3. Chicago - Milwaukee
4. Chicago - Minneapolis
5. Oakland - Los Angeles
6. Los Angeles - San Diego

Long Hauls

As a general assessment, the on-time performance of long haul routes as shown in Table 2-7 is not good. The majority of trains regularly fail to meet their schedules. In 1971, only 56% of the long haul trains arrived on time. That performance fell to 53% in 1972.

Among the poor performers are:

1. New York - Chicago
2. New York - Kansas City
3. Cincinnati - Norfolk
4. Chicago - New Orleans
5. Chicago - Miami
6. Washington, D.C. - Montreal

New York - Chicago and New York - Kansas City, suffer from track and a variety of operating problems on both Penn Central and the Missouri Pacific. Damage from Hurricane Agnes also affected the Penn Central routes.

Cincinnati - Norfolk encounters serious slowdowns on Penn Central track in Indiana, where "slow orders" frequently require 10 mph operation. Most of the delays on the Chicago - Miami train stem from track problems on another Penn Central line in Indiana.

Chicago - New Orleans has consistently shown the worst performance. The causes of its delays are discussed in greater detail later in this Section.

Montreal - Washington service, mandated by Congress, was started in September 1972. A primary cause of delays is the condition of the bankrupt Boston & Maine's track between Springfield, Massachusetts and White River Junction, Vermont. It had not been used for regular passenger service since 1966.

Best long-haul performers include:

1. Chicago - Houston
2. Chicago - Denver
3. Minneapolis - Spokane
4. Seattle - Los Angeles

Chicago - Houston has an excessive amount of "cushion" in its schedule, thus helping it to achieve consistently high marks. Tightening of the schedule is under consideration.

Causes for Delay -- Systemwide

Table 2-8 presents a breakdown of the causes of delay. The listing clearly shows that the causes most often responsible for passenger train delay are track-related delay (slow orders, maintenance of way, and signal failures). They account for almost half of all Amtrak train delays.

While freight train interference accounts for 8% of systemwide delays, it is not a major cause relative to other factors.

TABLE 2-8
CAUSES OF DELAYS -- TOTAL SYSTEM
JUNE THRU NOVEMBER 1972

<u>CATEGORY</u>	<u>PERCENT OF TOTAL DELAY</u>
Slow Orders	28%
Passenger-Related Delays in Stations	11%
Maintenance-of-Way Work	10%
Equipment Malfunction	9%
Servicing in Stations	8%
Signal Failures	8%
Freight Train Interference	8%
Miscellaneous	7%
Waiting for Connections	6%
Passenger Train Interference	5%
Running Time	2%

(Source: Derived from Amtrak data.)

Causes and Extent of Delays -- Long Haul/Short Haul
Sample Trains

Amtrak maintains its records in a manner that permits one to readily identify the causes of delay. System-wide on-time performance and the causes for lateness have been discussed previously. Table 2-9 shows the degree of lateness and its cause for two sample trains -- one long-haul and one short-haul.

In the case of the long haul Chicago - New Orleans route, which has shown consistently poor performance, the majority of delays result from slow orders, derailments, and "Acts of God". Delays caused by slow orders (B) or station servicing (C) are frequent. Delays caused by derailments (G) are less frequent, but consume more time.

On the short-haul service, Table 2-9 shows that, on this sample, delays are generally neither as frequent nor as serious as those on long-haul trains. Short-haul trains, however, generally cater to a very time sensitive market and a pattern of even short delays may have significant marketing consequences.

On-Time Performance by Railroad

On-time performance by railroad carrier is summarized in Table 2-10. Some carriers, such as the Union Pacific and Missouri Pacific, only handle services of one Amtrak route. Others, such as the Penn Central, handle Amtrak trains over a number of routes, each with its own problems and operating characteristics. As noted previously, good on-time performance may be the result of unnecessarily slow schedules, just as poor performance may frequently be attributed to conditions beyond a carrier's control. For example, the on-time performance of a carrier operating an intermediate segment of a longer route is largely dictated by the performance of the preceding carrier.

TABLE 2-10

SUMMARY OF ON-TIME PERFORMANCE -- BY RAILROAD

	<u>1971</u>	<u>1972</u>
Santa Fe	80.7%	84.8%
Burlington Northern	68.5	71.8
Ches. & Ohio/Balt. & Ohio	89.2	73.8
Illinois Central Gulf	54.9	57.7
Louisville & Nashville	57.6	45.2
Milwaukee Road	88.4	87.6
Missouri Pacific	85.0	58.4
Penn Central	60.4	78.7
Rich., Fred., & Potomac	81.1	70.7
Seaboard Coast Line	68.9	73.7
Southern Pacific	60.2	67.0
Union Pacific	92.1	87.6

(Source: Derived from Amtrak data.)

Summary

A review of Amtrak's on-time performance during its first 18 months of service is useful and clearly identifies an important problem. Statistics are not available to compare present performance with the on-time records of the pre-Amtrak period. Were such a comparison possible it would probably show that many of the factors which now cause delay were equally present in earlier years, mainly because they are characteristic of railroad operations.

From the analysis presented here and from the data collected by Amtrak, the primary cause of delay is related to track. Equipment failures and station delays are also contributing factors.

Delays caused by freight operations do not appear to be a significant problem affecting on-time performance. On a system-wide basis, freight interferences produce only 8% of the delays based on number of occurrences. Four other factors (out of 11) ranked higher as causes for delay. On the sample long-haul train, freight train interference was 7th out of 11 in causes for delay, and produced only 10% of the total delay time. On the sample Metroliner train, delays from freight train interference was 2nd or 3rd out of 5, producing 13% of total delay, reflecting this extremely dense corridor.

A continuing program for improvement of on-time performance is necessary and must involve a close working relationship with Amtrak field personnel and the operating carriers.

Amtrak has initiated a major program to purchase and refurbish equipment, including 40 locomotives now on order. The FY 1973-1974 capital program devotes substantial resources to new locomotives and equipment. When completed this should measurably reduce equipment failure and contribute to better on-time performance.

Amtrak is clearly dedicated to improving its on-time performance. The fact that Amtrak has done much to locate, identify, and record delay-causing factors is most encouraging. Working with detailed data, Amtrak and its operating carriers can develop and implement better on-time practices and better evaluate the success of their efforts.

EQUIPMENT FLEET

Railroad passenger equipment of conventional design has not changed significantly since the 1930's. The design and construction of coaches, sleeping cars, lounge cars, and dining cars has remained the same, with few exceptions. Except for the Metroliners, the TurboTrains, and a small number of conventional coaches, all equipment was built before 1960. Most of the cars and locomotives being utilized by Amtrak today were built in the late 1940's and early 1950's. As previously noted, 9% of Amtrak's train delays are directly attributable to equipment failure. During 1972, there were 3,580 locomotive failures enroute, and 4,750 car malfunctions.

Amtrak initially determined its needs to be approximately 1,100 passenger cars of various types out of an available total of 2,600. In choosing what was thought to be the best cars available, Amtrak hoped to upgrade the quality of service. Amtrak began operations using 375 locomotives which were both purchased and leased.

Passenger Cars

In the first months of operation, Amtrak was faced with the need to perform four major functions:

1. Reassign cars to various new routes and different railroad operating companies.
2. Repair cars in order to keep them safe and operable.
3. Initiate an upgrading and refurbishment program (mechanical as well as interior design work).
4. Attempt to meet the traditional summer peak travel demand which was in full swing 30 days after Amtrak assumed responsibility for operation of inter-city rail service.

There was little standardization evident in the cars available to Amtrak for purchase. Each railroad had employed different designs for mechanical components and electrical wiring. There were even differences in the types of wheels. Amtrak had planned to move the newer and generally better equipment from the West to the East. But, the differences between the cars of the individual railroads created difficulties when this transfer was made. Frequently, the spare parts, instructions, and wiring diagrams did not accompany the cars to the new locations. As a result, it was frequently impossible for a facility to properly repair the unfamiliar equipment.

The condition of the cars, the travel peak, the shifting of cars to new territory, and the lack of enough supervisory employees soon produced a critical situation. It appeared that even among the so-called "best" cars, age and inadequate maintenance had taken its toll. Extensive work was required on many of the cars. With cars in repair shops for necessary preventive work and others declared "bad order" (unfit for service) awaiting repair work, car shortages began to develop during the summer of 1971.

To preclude the possibility of future shortages, Amtrak has acquired, through lease or purchase, approximately 400 additional units. This brings the total fleet to nearly 1,550 cars.

Car Refurbishment Program

The car refurbishment program began in the fall of 1971, at the time of the original car purchase. Prior to that time, mechanical work had been performed when necessary, and modest interior refurbishing had been done on some cars using materials in stock. November 17, 1971, marked the debut of the first car formally redone by Amtrak in modern decor. Since then, approximately 700 cars have received some degree of refurbishment. Amtrak's proposed schedule is to refurbish 1,200 out of its fleet of ownership cars by the end of 1973. (See Table 2-11)

TABLE 2 - 11

SCHEDULE OF AMTRAK PASSENGER
CAR REFURBISHING

1973

<u>MONTH</u>	<u>NUMBER OF CARS TO BE REFURBISHED</u>
January	58
February	58
March	70
April	73
May	75
June	76
July	77
August	-- *
September	78
October	81
November	81
December	77
	<hr/>
TOTAL	804

* No work scheduled due to annual shop vacation period
and to allow for overflow.

Initially, to accelerate output, Amtrak held cars in repair shops for interior design work, exterior painting, and small repairs only. Heavy repair was done only in cases where it appeared to be necessary. As a result, some cars which had been refurbished continued to experience mechanical problems on the road. Amtrak has since shifted its emphasis; extensive mechanical work is routinely included in most refurbishing jobs.

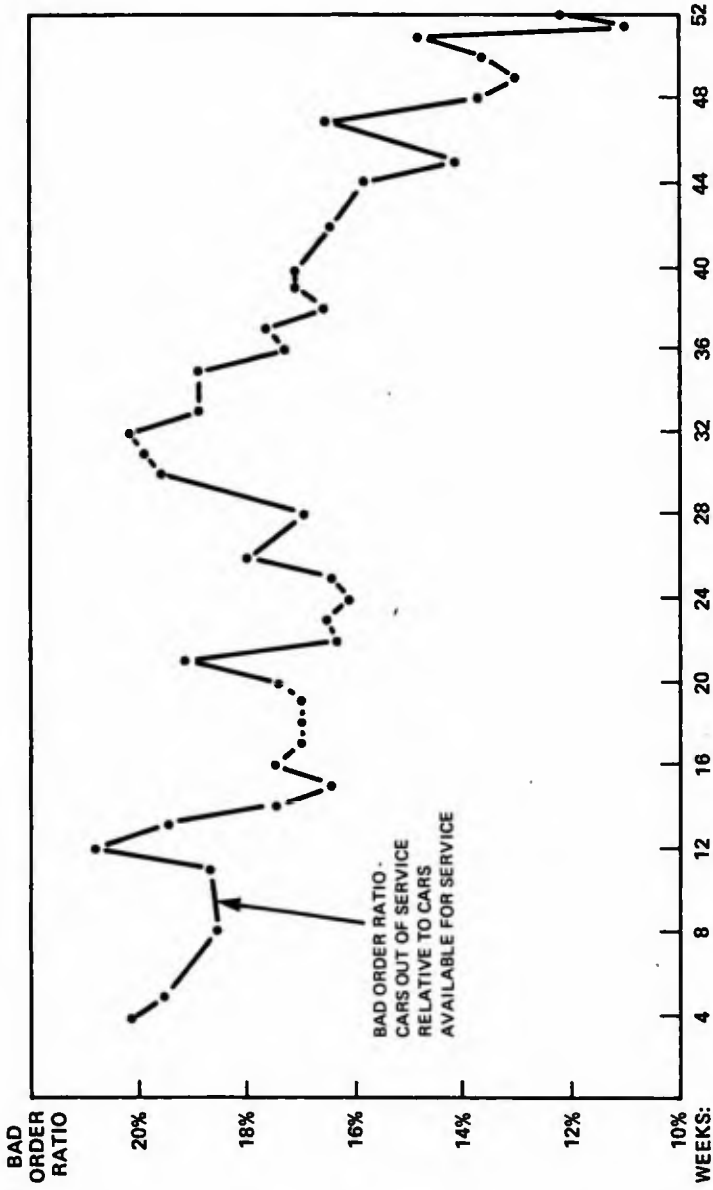
Amtrak's rebuild program is reducing the number of cars out of service. The bad order ratio would be dropping faster if unrefurbished cars were not malfunctioning with greater frequency, tending to cancel out the vastly improved performance of the refurbished cars. (See Figure 2-12)

When the program is completed, Amtrak will have a fleet of attractive cars in reasonably sound condition. It can be expected that the "bad order" ratio will then stabilize at an acceptable level.

Locomotives

What has been said about the age and deterioration of Amtrak's cars also applies to its fleet of locomotives. The normal serviceable life of a locomotive, even under the best of conditions, is 15 - 20 years. Virtually all of Amtrak's exceed 15 years of age (average age -- 18 years), and have not been adequately maintained by the railroads in recent years. As a result, the locomotives pulling Amtrak's trains are not efficient and are prone to breakdowns; 3,580 locomotive failures occurred in 1972. About 9% of Amtrak's performance delays are directly attributable to equipment failure, and much of this involves locomotives. The condition of the locomotive fleet affects speed and on-time performance. It also has a serious effect on costs, because more locomotives are needed to run trains. Sometimes, two locomotives are assigned even to short trains, in the event that one fails or, during the winter, additional units have to be assigned to provide sufficient and reliable heating.

CAR BAD ORDER RATIO - 1972



The cost of running one additional locomotive on a 1,000 mile run is about \$600 per trip, for fuel and mileage related maintenance costs. Periodic maintenance has been calculated at approximately \$16,000 per unit, per year. Thus, the cost of adding one locomotive on a daily 1,000-mile run is approximately \$485,000 per year.

Normal car to locomotive ratios average 3:1 (See Table 2-13). For comparison purposes, Auto-Train, which operates its service between Virginia and Florida with new locomotives, achieves a car to locomotive ratio of 14:1 on most trips. Although Auto-Train's territorial geography is essentially flat, the example illustrates the value of new, high horsepower locomotives.

Amtrak's locomotive fleet suffers not only from age, but from a lack of standardization. For example, different railroads employ different signal systems in their locomotives. Therefore, some locomotives are limited as to where they can operate. Different gearing is required by some railroads in mountain service, such as the routes traversing Montana. This necessitates a locomotive change enroute. These types of differences prevent all Amtrak locomotives from operating throughout the system.

The Locomotive Rebuild and Procurement Program

Amtrak's program to rebuild its locomotives has not been as extensive as the car rebuilding program. Locomotives are rebuilt as the need for heavy repairs occurs; each rebuild is the result of a separate decision. Plans for the systematic rebuilding of locomotives are being formulated.

The rebuilding that is currently underway is performed by the various railroads. As of the end of 1972, three diesel locomotives out of its fleet had been rebuilt at an average cost of approximately \$180,000 each. The serviceable life of a rebuilt locomotive is 12 - 15 years. Twenty-seven additional locomotives have received renovations short of complete rebuilding at a cost of approximately \$50,000 - \$80,000 per unit.

TABLE 2-13

RATIO OF CARS TO LOCOMOTIVES
(SAMPLE TRAINS; NORMALLY ASSIGNED CONSISTS)

ROUTE OR (SEGMENT)	NUMBER OF UNITS NORMALLY ASSIGNED*		
	CARS	LOCOMOTIVES	CAR:LOCO. RATIO
El Paso - Los Angeles	8	3	2.7:1
Kansas City - Los Angeles	14	6	2.3:1
Chicago - Denver	12	3	4:1
Chicago - Havre	11	3	3.7:1
Spokane - Seattle	15	3	5:1
Chicago - Minneapolis	10	2	5:1
Minneapolis - Spokane	8	2	4:1
Portland - Oakland	10	2	5:1
Chicago - Houston	7	3	2.5:1
Harrisburg - Pittsburgh	9	2	4.5:1
Harrisburg - Chicago	14	4	3.5:1
Charlottesville - Chicago	4	2	2:1
Chicago - Auburndale	11	3	3.7:1
Chicago - Carbondale	6	2	3:1
New Haven - Montreal	8	3	2.7:1
Washington - Auburndale	11	3	3.7:1
Washington - Miami	13	3	4.3:1
Portland - Seattle	3	1	3:1
Milwaukee - St. Louis	3	2	1.5:1
Chicago - W. Quincy	4	1	4:1
Chicago - Detroit	3	1	3:1
Chicago - Carbondale	4	2	2:1
Washington - Parkersburg	2	2	1:1
Los Angeles - San Diego	5	2	2.5:1

* Some variation in the ratio is due to power differences between locomotive models.

NOTE: Because of topographical differences, e.g. mountains, certain trains must maintain a lower car to locomotive ratio than others.

SOURCE: (Compiled from Amtrak information.)

Amtrak has ordered 40 new locomotives in FY 1973. It projects that these 40 locomotives will generate an annual savings of \$4.5 million. Amtrak is planning to acquire 60 new locomotives in FY 1974.

Despite the rebuilding or renovation of 30 locomotives, Amtrak's locomotive fleet remains exceedingly costly due to the inefficiencies produced by their age. Continuation of the rebuild program will help the situation somewhat as will the addition of 40 new diesel locomotives in mid-1973 and 60 new units in 1974. Amtrak's total need for new locomotives is estimated to be approximately 120 at a reasonable level of utilization. The 100 new units planned for 1973-74 will fulfill most of this need. Locomotives that are rebuilt can be used in back-up service and to handle traffic growth.

Analysis indicates that, even based on a conservative estimate, Amtrak's planned substantial investment in new locomotives in FY 1973 and FY 1974 will yield significant savings, especially on long haul runs.

Amtrak is now operating the DOT Metroliners in the Northeast Corridor and has leased an additional eleven equipment sets. Additionally, Amtrak is acquiring the two DOT TurboTrains, two TurboTrains now operating in Canada, and four new TurboTrains. Amtrak also plans to lease two sets of French turbine powered equipment. These trains will be used in short haul corridor service between Boston and New York, and in the Chicago area.

RESERVATIONS AND TICKETING

The initial contact that most travellers have with Amtrak is with the reservation and ticketing system. Amtrak's revenues can be increased by making it convenient and pleasant to purchase a ticket. Amtrak's costs can be reduced by making the reservation and ticketing function efficient, economical, and rapid. As discussed below, Amtrak has made notable progress in further defining these broad goals and implementing programs to achieve them.

In the beginning, it was necessary for Amtrak to continue to use the 13 individual railroad reservation systems. There was no quantitative measure of the adequacy of the existing railroad information and reservation system available, but there were many symptoms to indicate that significant improvements were required. Telephone procedures varied from station to station; calls often were unanswered. Railroads (except Penn Central, New York) had made no investment in modern communications equipment, such as automatic call distributors. Agents and clerks quoted information from many tariffs, supplements, conversion tables, and timetables. There were few performance standards for clerks.

Amtrak's first tasks were to merely understand the system then in effect, and to identify critical problems. In coping with these problems, Amtrak proceeded along three major fronts:

1. Physical and organizational changes were made in the ticketing and reservation system. These changes were made to save money and to give better service to the customer.
2. Tools of the trade were improved. These changes centered around ticketing, tariffs, and timetables. In addition, long-range planning on an advanced reservation system was begun.
3. Improvements were made in personnel, procedures, and evaluation processes.

Physical and Organizational Change

The primary problems with the reservation system centered on Chicago. It was there that most of Amtrak's reserved space was held; it was held by a number of individual railroads, each with their own reservation bureau. Amtrak determined that for customer convenience, as well as for operating economy, consolidation of these bureaus was necessary.

On October 1, 1971, Amtrak consolidated the Chicago reservation bureaus. At first, the procedures were the same as before, except that all operations were under one roof, and could be reached on one telephone number. Personnel, obtained from railroad and non-railroad sources, were employed directly by Amtrak.

One month after this consolidation, the Chicago bureau began to use a shared-time computer. It placed the basic manual operations on a computerized display. While this did not represent a major change in methods, it improved communications since a simultaneous display of all space was thus made available to all reservation clerks.

Improved Tools

Amtrak has greatly improved the working tools available to the people who provide information, make reservations, and sell tickets.

1. Amtrak issued a single system timetable on May 1, 1971. On November 14, 1971, a system timetable complete with quick reference schedules, similar to those used in airline timetables, was issued.
2. On January 16, 1972, over 100 railroad tariffs were eliminated by the publication of a single, easy-to-read Amtrak tariff. Various railroad rules and regulations were eliminated, consolidated, or standardized.

3. A ticket form resembling an airline ticket was introduced in Chicago on November 1, 1971; its use has since expanded throughout much of the system. It replaces a multiplicity of railroad forms of varying shapes and sizes.

Amtrak is developing a new reservation and information system which will consist of:

1. Two computers, a primary and a back-up unit, to be located in Washington, D.C.
2. Five regional reservation centers which will provide 24-hour a day, 7 days a week service, via toll-free telephone lines.
3. Visual display screens for agents at large and medium sized stations, which will enable them to check rates, schedules, space availability, and passenger name records.
4. High speed ticket printers.
5. Low speed printers for production of management data.

The system will be implemented in the Northeast. The first of Amtrak's regional bureaus has been completed in Bensalem, Pennsylvania (near Philadelphia). Operation in the Northeast is planned to begin April 15, 1973, with a three month "phase-in" period. A regional reservation bureau in Los Angeles will begin operations with the new system in the fall of 1973.

By the latter half of 1974, Amtrak expects to activate the remainder of the system, which will include centers in Jacksonville, Chicago, and New York.

In summary, the new \$7 million computerized reservation system will have the following capabilities:

1. Storage and recall of all tariff and schedule data.
2. Storage of all available space for the entire Amtrak system.

3. Visual display of all of the above data, plus display of reservations by passenger name.
4. Print-out of tickets when a sale is made.
5. Print-out of envelopes for tickets sold by mail.
6. Print-out of a wide variety of management data for accounting, marketing, and operating control purposes.

When the total system is in operation, Amtrak will be accessible to everyone in the country at all hours at no cost to the caller. Schedule and fare information will be instantly obtainable. Reservations, no matter how complex, can be confirmed in a matter of seconds. Uniform tickets will be issued by machine and any cancellations by the passenger will release space immediately. Data available from the system will tie into the revenue accounting system to provide management with complete and accurate financial and marketing data bases.

The inauguration of this nationwide reservation and information system will accomplish a very major step in improving rail passenger service.

Personnel Improvements

Amtrak is undertaking extensive training programs for reservation personnel. To date, 300 people have already been through one program that stresses job skills and customer relations. Another program, which will soon be under way in the Northeast, will train employees to operate the new computerized reservation system.

Summary

Beginning with a reservation and ticketing system which was outmoded, complex, and redundant, Amtrak has a program underway which will provide improved service and which will save money. The initial steps of consolidating the Chicago bureaus, retraining people, and providing simplified tickets, timetables, and tariffs have been taken. In 1973, an integrated reservation system will be implemented in the first of several regional bureaus.

FARES

One of Amtrak's first actions was to publish a single-volume, nationwide tariff, the "All America Train Fares," on January 16, 1972. This eliminated a previous four foot stack of rail tariffs. The Amtrak volume was updated and republished on August 16, 1972.

Many non-uniform and often confusing regional or carrier pricing differences have been changed by Amtrak. For example, there is now a uniform family fare policy throughout the country, uniform directional fares, and uniform group fares (versus fourteen different group fares previously), and a uniform first class policy. Extra fare train charges have been eliminated and the baggage rules standardized.

While fares have been considerably simplified, differences in terms of price per mile exist and will continue to exist between routes and regions of the country. These normal differences reflect varying competitive and operating cost factors.

Work is continuing by Amtrak to price its services in the most simple, effective way to enable it to increase both ridership and financial performance.

Congress expressed strong interest in having Amtrak experiment with fare changes. Following is a discussion of the results of this experimentation.

Rail Passenger Markets

Amtrak and DOT have found that three primary markets exist for rail travel:

1. A long and short haul coach market which consists largely of nonbusiness travelers. As would be expected, this market is quite responsive to price changes.
2. A short haul, corridor market with a large proportion of business travelers. In general, the travelers in this market place a greater value on speed and service.

3. A long haul market consisting of nonbusiness "cruise" travelers. This market is characterized by a desire for service.

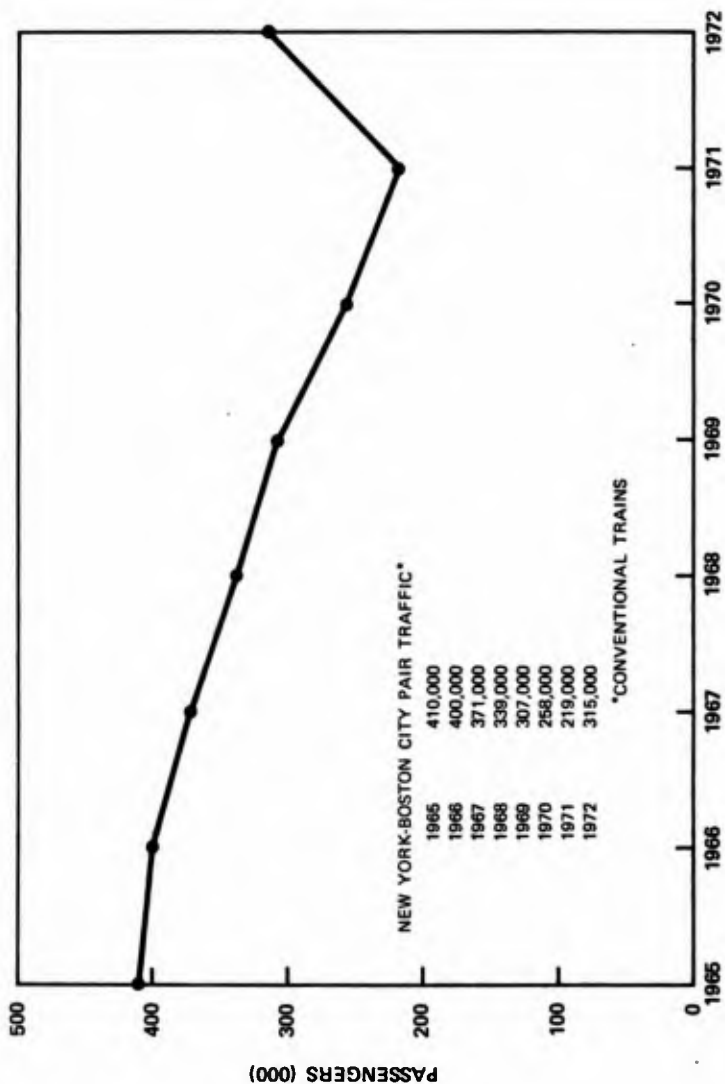
An intelligent, selective pricing approach is essential to the overall financial success of Amtrak. The Act provides Amtrak the latitude to make fare changes without regulatory approval. This latitude has been important; Amtrak has made pricing changes in several markets and plans additional changes to improve its performance. As discussed below, the fare policy has taken into account the differing needs of the traveler in each of the three markets.

Price Sensitive Coach Market

The pricing experiment of longest duration is between Boston and New York. Patronage between this city pair had been declining for many years (see Figure 2-14). Amtrak was faced with a declining market, a money losing operation, and an uncompetitive fare structure. Conventional rail fares were \$12.75, TurboTrain fares \$15.65, air fares \$24.00, and bus fares \$10.45. The conventional trains were slower than the airplane and were therefore ignored by most business travelers. The trains were not competitively priced, so budget travelers were more attracted to auto and bus.

In December 1971, Amtrak reduced the coach fare to \$9.90. The effect of the change on rail ridership was encouraging. After six years of steady decline, there were 35% more passengers in January 1972 than in January of the preceding year. This improvement continued and grew in the following months. As shown in Figure 2-14 and Table 2-15,, the ridership in 1972 was 65% greater than 1971.

CONVENTIONAL TRAIN PASSENGERS NEW YORK-BOSTON CITY-PAIR



PASSENGERS (000)

TABLE 2-15

INCREASE IN PASSENGERS IN 1972 OVER 1971
BOSTON-NEW YORK CITY PAIR CONVENTIONAL TRAIN

<u>Month</u>	<u>Increase '72 over '71</u>	<u>Month</u>	<u>Increase '72 over '71</u>
January	35%	July	80%
February	73%	August	75%
March	71%	September	85%
April	50%	October	86%
May	71%	November	75%
June	100%	December	23%
<hr/>		<hr/>	
6 months	66%	Full Year	65%

Had Amtrak continued with the \$12.75 fare, the expected revenue for 1972 would have been slightly over \$2 million based on a continuing decrease of the market share. At \$9.90, the revenue was slightly over \$3 million. This additional \$1 million in revenue was obtained at no increase in capacity and only a small increase in other costs.

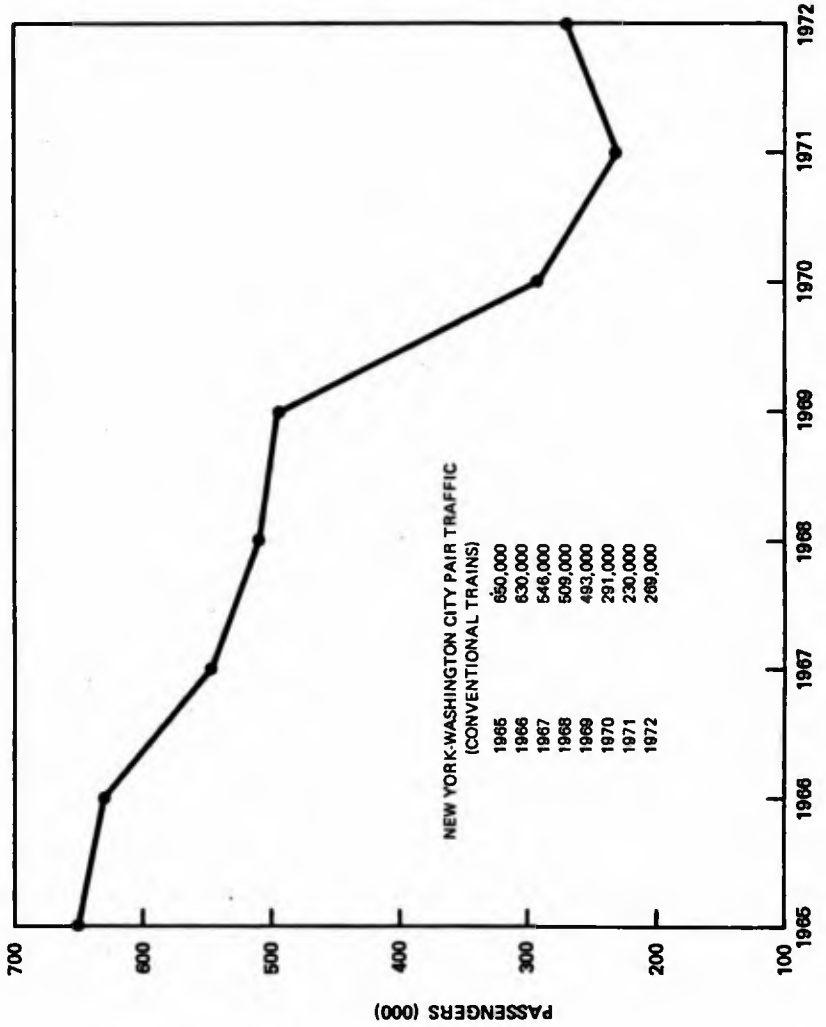
A second example of this type of pricing action is with the conventional coach train between New York and Washington. In mid-June 1972, Amtrak reduced the fare from a noncompetitive \$13.00 to \$11.25. Again, there was a marked increase in ridership; in July through December, it was about 35% higher than the corresponding period of 1971. This month-by-month comparison is shown in Table 2-16. Experience prior to the reduction is shown on Figure 2-17.

TABLE 2-16

INCREASE IN PASSENGERS IN 1972 OVER 1971
NEW YORK-WASHINGTON, D.C. CITY PAIR CONVENTIONAL TRAIN

<u>Month</u>	<u>Increase '72 over '71</u>
July	37%
August	40%
September	33%
October	41%
November	30%
December	40%
<hr/>	
6 months	37%

CONVENTIONAL TRAIN PASSENGERS NEW YORK-WASHINGTON CITY-PAIR



Again, the capacity remained constant. With the continued decline of 17% in this market, net revenues would have been about \$1.2 million. Actual revenues for the six month period were \$1.7 million, producing a projected annual benefit of \$1 million.

In a third instance, the long haul portion of the coach market also responded to price changes. In June 1972, after study of the market, operating costs, and competitive factors, Amtrak changed the coach fare on eight long haul routes. The fares were increased on two routes and decreased on six others. Table 2-18 compares the ridership for July-October 1972 with the same period of 1971; schedules and service levels were the same in both time frames.

TABLE 2-18
LONG HAUL COACH FARE AND RIDERSHIP CHANGES

ROUTE	CHANGE 1972 vs 1971	
	Coach Fare	Coach Ridership
Chicago - Los Angeles	+10%	+ 2%
Chicago - Seattle (Northern Route)	+10%	- 5%
Seattle - Los Angeles	-20%	+126%
Washington/New York - Kansas City	-20%	+146%
Washington/New York - Chicago	-20%	+ 68%
Washington/Norfolk - Chicago	-25%	+ 76%
New York - Buffalo*	-10%	+ 5%
Chicago - Detroit	-20%	+ 23%

* Two fewer trains in 1972.

Although the reaction varies by degree, generally a fare reduction produced a gain in passengers carried, while a higher fare produced a decrease. In this period many system-wide changes were made by Amtrak, e.g., improved on-board service; some improvement in train interiors; additional advertising; reservation improvements. However, the fare level seems to be the major change on these routes.

With costs rising due to inflation Amtrak must obviously remain very conscious of the cost side of the equation. This again emphasizes the need to carefully tailor pricing to the individual market segments.

Speed and Service Sensitive Corridor Market

The second market segment consists of the corridor traveler who places a greater premium on speed and service than on price. These market characteristics require a totally different pricing strategy. The best example of this is the action taken on the fares for the Metroliner service in the Northeast Corridor between New York and Washington, D.C.

As shown on Figure 2-19, Metroliner growth has been rapid; price increases have had virtually no effect. This demonstrates that the traveler in this market segment will tolerate larger price increases (within competitive reason) as long as he receives fast, frequent service.

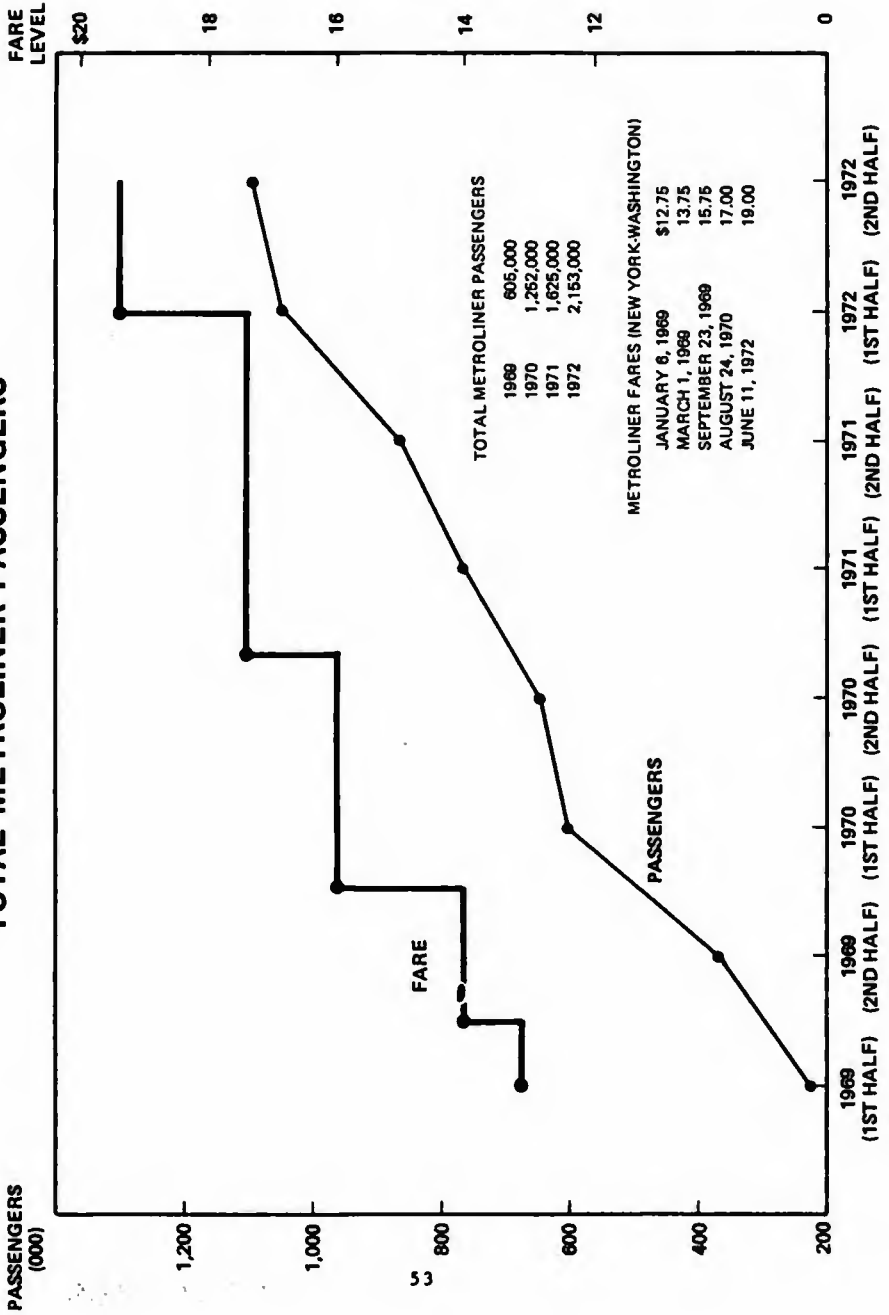
British experience has shown that as the trip time approaches three hours, rail travel begins to make substantial inroads on air traffic. As it drops below three hours the diversion becomes substantial. The Metroliner trip time between New York and Washington, D.C., is currently three hours.

Of particular interest is the experience in the New York - Washington, D.C., city pair in the period after June 1972. In June, as previously noted, conventional fares were reduced from \$13.00 to \$11.25. Simultaneously, Metroliner fares were raised from \$17.00 to \$19.00. Metroliner growth continued, producing roughly \$500,000 in additional revenue over the next six months. At the same time, the conventional train market experienced a dramatic turnaround, which produced an additional \$500,000 in the same period. Thus, by careful analysis and perceptive pricing strategy, it was possible to improve the profitability and increase the service to two market segments traveling between the same city pair.

Service Sensitive Long Haul Market

The final segment is the long haul, first class sleeping car market. This is largely a nonbusiness, "cruise" market with travelers who are willing to pay a premium to enjoy a trip,

TOTAL METROLINER PASSENGERS



see the scenery, and make traveling a part of the vacation. Although this is generally not a "mass" market, it offers high revenue potential. Price does not appear to be as important as the on-board service level.

In June 1972, Amtrak adjusted fares on several long-haul trains in the West. Concurrent with overall service improvements, first class fares were raised 10% on the Chicago - Seattle Empire Builder, and the Chicago - Los Angeles Super Chief. First class passenger counts for the four months of 1972 comparable to 1971 showed an increase of 3% on the Seattle route and an increase of 35% on the Los Angeles route.

An even more striking example of the lack of price sensitivity of the "cruise" market comes from Canada. To offset a severe cost squeeze, for the summer months of 1972, the Canadian Pacific Railway, put a 50% surcharge on all bedroom, compartment, and drawing room accommodations on its transcontinental streamliner between Vancouver, British Columbia, and Montreal, Quebec. In spite of this large increase from the previous year's fare level, the sleeping cars were filled to capacity all summer.

The Canadian pricing strategy also points out the wisdom of more than one price level to meet demand fluctuations and rising costs of labor and material. If there had been no surcharge in the sleeping cars, they would still have run at capacity, but would have produced less total revenue.

Summary

Since its inception, Amtrak has made substantial progress in simplifying the fare structure. In addition, using the latitude provided by the Act, fare adjustments have been made which have made rail travel more competitive and have improved financial performance. Amtrak has demonstrated that carefully selected and executed fare adjustments, both upward and downward, in concert with other marketing actions, can provide substantial benefits. This experience has also shown that such a fare policy can only be successful when the actions are tailored to specific market needs, and, of course, the financial realities of operating costs. It provides Amtrak with a valuable framework for making future fare adjustments.

As discussed elsewhere in this report, fare adjustments, coupled with service improvements, promotion, and improvement in quality are integral parts of Amtrak's plans. Exemption from regulatory control over fare adjustments has proven a valuable asset in testing and building traveler response to Amtrak service. Continued exemption is essential to financial improvement for Amtrak.

III. SPECIAL ISSUES

In establishing the requirement for this report on intercity rail passenger service, Congress specified in Section 806(b) of the Act, that the Secretary of Transportation is to report on six special issues. These issues are: the assumption of operation and control of all aspects of intercity rail passenger service; composition of the corporation's Board of Directors; projected revenues from mail and express services; analysis of on-time performance; improvements to track and roadbed; and the establishment of an optimum intercity rail passenger system.

Each of these items, with the exception of on-time performance, is discussed in this Section. On-time performance was analyzed in Section II.

ASSUMPTION OF OPERATION AND CONTROL

When it began operation, Amtrak had only a handful of full-time employees. Since then, the full-time staff has increased to 1,500, many of whom perform services previously provided by employees of the operating carrier.

The success of Amtrak's efforts to assume direct control over the operation solely related to intercity passenger service depends on its program to use Amtrak personnel in all jobs involving contact with the public or in jobs that are critical to efficient operation. Actual train operating personnel are an exception.

The rationale is sound. If such positions are filled by Amtrak employees, there is no problem of divided loyalties, job assignments may be more flexible, and managerial and supervisory control is in the hands of Amtrak. Most important, Amtrak can establish its own reputation with the traveling public. By using its own work force, Amtrak expects to save money, have greater flexibility and efficiency, provide more uniform service, and develop a reputation for passenger-oriented service.

To date, Amtrak has concentrated its work force development in the areas of commissary operations, station services, revenue accounting, and on-train personnel.

Commissary Operations

Amtrak inherited an antiquated, overlapping, and segmented system for the servicing of dining car operations. Usually, each railroad maintained its own commissary or commissaries which were widely dispersed geographically and varied considerably in the quality, quantity, and price of the final on-board product and service. In some cases, several railroads maintained separate commissaries in the same city, with the attendant duplication of effort and poor manpower utilization.

Amtrak has begun to eliminate separate railroad commissaries in a city and to eliminate or reduce the scope of operations in secondary cities. The consolidation plan began in January 1972 with the elimination of the Illinois Central commissary in Chicago. In succession, the Chicago commissaries of the C&O/B&O (February 22, 1972), the Santa Fe (April 17, 1972) and the Burlington Northern (June 10, 1972) were closed. All operations were relocated to the Penn Central commissary. On November 1, 1972, Amtrak took over the operation of the expanded Penn Central facility and it became the first Amtrak commissary.

The Amtrak commissaries at this time are shown in Table 3-1.

TABLE 3-1
STATUS OF COMMISSARY OPERATIONS

<u>CITY</u>	<u>OPERATOR</u>
Los Angeles	Amtrak
Oakland	Southern Pacific
Seattle	Amtrak
Chicago	Amtrak and Milwaukee Road
Miami	Seaboard Coast Line
Jacksonville	Seaboard Coast Line
Washington, D.C.	Amtrak
New York	Penn Central (2) Grand Central Penn Station

Amtrak expects to be operating all of the commissaries by May 1, 1973. In the long term, Amtrak plans further consolidations to regional commissaries: Los Angeles for the West Coast, Jacksonville for the South, Chicago for the Midwest, and Washington, D.C. for the North and East. Amtrak predicts a savings of approximately \$750,000, from the consolidation and operation of the commissaries.

Station Services

Since all Amtrak patrons rely on station service personnel for information, reservations, ticketing and baggage handling, the quality of the services is of the utmost importance. To ensure that the functions are performed adequately, Amtrak has begun to place all of the station services personnel on its own payroll.

In 1972, Amtrak began to operate the reservation centers and city ticket offices. By the end of the year, Amtrak-managed offices were in Los Angeles, Seattle, San Francisco and Chicago. Reservation bureaus in Jacksonville, Los Angeles, San Francisco, Seattle and Chicago were also under Amtrak management.

Before assuming responsibility for all of the station service personnel, Amtrak had to establish a management structure both at headquarters and in the field. An accounting system had to be set up that could cope with the payroll and revenue collection functions. Amtrak also negotiated a contract with the Brotherhood of Railroad and Airline Clerks to cover its new employees.

While establishing the above capabilities, Amtrak developed detailed plans for assuming control of the station service functions. On a railroad by railroad basis, each station in the Amtrak system was evaluated in terms of image, personnel work load, etc. Regional service personnel were assigned to monitor the quality of the existing service and to ease difficulties during the transition.

The first major change occurred in November 1972, when Amtrak assumed control of the 39 stations operated by the Southern Pacific and the Santa Fe. The seven stations operated by the Union Pacific were also considered, but since they serve only tri-weekly trains, it was to Amtrak's advantage to continue to have the railroad operate them.

Every employee of the Santa Fe and Southern Pacific who wished to join Amtrak was hired; this consisted of 191 employees. Those who decided to remain with the railroad did so.

The second step of the program was implemented in January 1973 when the stations operated by the Burlington Northern, Missouri Pacific, Illinois Central Gulf, and Milwaukee Road were taken over by Amtrak. The third group will consist of the stations operated by the C&O/B&O, L&N, RF&P and SCL. The final group, scheduled for the spring of 1973, will be the stations operated by the Penn Central.

Assumption of the responsibility for services at stations currently operated by Union Terminal Companies is proceeding at a slower pace, due to the multiple ownership of these companies and the fact that passenger and freight service frequently use the facility. At this time, eight Union Terminals are completely under Amtrak management: Denver, Indianapolis, Joliet, Ogden, St. Louis, Portland, Wichita, and Seattle. Chicago and Washington have been partially taken over, and will be completed when certain labor protective agreements have been resolved.

The largest benefit from this station services program is the improved service offered to the public. Amtrak is standardizing ticketing and reservation procedures, training or retraining its personnel, outfitting the personnel in special uniforms, and upgrading many facilities. Finally, Amtrak expects cost savings of approximately 20% from the program.

Revenue Accounting

Amtrak began its operations using the revenue accounting systems already in operation at the railroads. The railroads continued to sell tickets, to collect the revenue, to reimburse each other to cover interline settlements, and to credit the revenue against their operating expense for Amtrak.

On June 30, 1972, Amtrak began to handle the interline accounting between railroads, thereby saving approximately \$500,000 annually. In the fall of 1972, Amtrak began to take over the other revenue accounting function, in phase with the assumption of control of station services.

Amtrak is developing a computerized Revenue Accounting System. This system is expected to be operable in 1974; it will be integrated with the Advanced Reservation and Ticketing System. Each ticket seller, when he processes a ticket using a computer terminal, will also be recording the revenue.

The use of the centralized Revenue Accounting System will reduce Amtrak's costs, because it will consolidate under Amtrak's control functions now performed by the 13 operating railroads. Also, the data base from this system will enable Amtrak to better plan and control their operations.

On-Board Services

Since on-board services project the image of Amtrak to the traveling public, it is necessary to exercise effective supervision of train services. Amtrak, recognizing this fact, is creating the new on-board train position of Train Director. The Train Director will have full responsibility for providing high quality on-board services for travelers. Train conductors will continue to be responsible for the operating aspects of trains.

Train Director positions will be filled largely from the ranks of present dining car stewards. In the past, the dining car steward served as maitre d'hotel of the dining car and was responsible for on-board accounting. The Train Directors will receive intensive customer relations training, before assuming their new responsibilities. This new concept is being tried on a pilot basis on two routes.

The Train Directors represent a considerable expansion of the Passenger Service Representative Program that Amtrak initiated in 1971. Under that program, women Service Representatives rode selected Amtrak trains and operated as on-the-spot customer relations personnel. This function continues on a modified basis, generally on trains offering recreation cars.

On-Train Service Personnel

Amtrak is in the process of hiring all on-train service personnel. Amtrak looks at the train as an integrated working environment rather than a collection of individual cars. The overall service, under the supervision of the Train Director, will become more cohesive. Training will raise the current standard of service and make it more uniform.

One of the key areas of on-train service is food and beverage service. Amtrak has initiated programs to upgrade the quality and consistency of the food and to provide the public with better on-board food and beverage service.

Amtrak is planning to take over all current dining car personnel in the spring of 1973. New job assignments will broaden the type and scope of duties performed by present food service personnel.

Some changes will make certain on-board work unnecessary. Prepared meats to be cooked in microwave ovens will not require butchering by meat chefs, for example. Increased labor flexibility is essential, if the changes are to result in any significant cost savings.

The on-board personnel currently working as sleeping car, parlor car, and chair car attendants are also being placed on the Amtrak payroll. In keeping with the overall objective of better, more consistent service, these positions will be broadened and employees will be upgraded in skills through a training program.

These on-board service employees are very important to Amtrak's efforts to improve customer relations. They are among the most visible employees, and patrons rely on them to receive the amenities of rail travel. The success of the assimilation and training programs for on-board service personnel is very important to the overall success of Amtrak.

Train Operations

Amtrak currently is evaluating the assumption of control over train operating employees, but has no plans at this time to add the engine service employees, conductors, and brakemen to their direct payroll. At present, such a scheme is not economically justifiable. Under the present system, the railroads supply operating employees as needed. An engineer who works one way on a passenger train can work back as an engineer on a freight train, avoiding high deadheading and layover costs for Amtrak. On long hauls, this is better utilization of available manpower than Amtrak could achieve using its own personnel.

Mechanical Functions

Most mechanical work is now done by railroad employees at railroad-owned facilities. Amtrak pays the railroad rent for the yard space and facilities used, and is billed for labor on the basis of the number of man-hours expended.

Under this arrangement, with the railroads doing the mechanical work for Amtrak, several problems have developed. The mechanical work is immediately supervised by railroad foreman. Amtrak has its own regional mechanical representatives who work with railroad supervision and assure that Amtrak instructions are followed. But, because the Amtrak representatives must work through railroad management, it sometimes takes too long for Amtrak instructions to be implemented.

Due to the nature of the sharing of railroad employees in mechanical work, Amtrak is billed for labor on a man-hour basis. Payment to the railroad is at an agreed upon hourly rate, plus 5% allowance for avoidable costs. The other costs involved are either direct, negotiated (such as leased space) or allocated.

The current Amtrak equipment refurbishment program is directed by the Mechanical Department and the work is done by railroad shops as well as by outside contractors. At this time, nearly one-half of the Amtrak fleet has undergone refurbishment.

Amtrak is negotiating to establish its own refurbishment and heavy repair facility at the Penn Central shop at Beech Grove, Indiana. This facility will be able to turn out 500 cars per year. Additional work can be contracted for as required.

Amtrak does not plan at this time to take over the mechanical work at the many yards where light repairs and cleaning operations are performed. In the meantime, Amtrak may establish regional car pools which would assign the responsibility for maintaining a specific group of cars to each coach yard.

In conjunction with its purchase of turbine powered equipment, Amtrak plans to perform all mechanical work on these trains in its own shops. It operates the TurboTrain facility in Providence, Rhode Island, and a TurboTrain mechanical facility in the Chicago area is planned.

Sales

In the fall of 1971, Amtrak undertook the establishment of a sales organization devoted solely to the increase of ridership and revenue. Prior to Amtrak, the railroad sales staff functioned primarily in the ticketing and service areas.

By early 1972, a sales force of 149 people had been set up in 27 cities including all major rail passenger centers.

To date some 5300 domestic and foreign travel agents are Amtrak-appointed agents, 1200 of whom maintain Amtrak ticket stock. \$8,000,000 in sales volume is generated from this source. More than 40 Amtrak tour packages were developed in 1972, and tour sales to date are 25% ahead of 1972. Amtrak provided major support to the Discover America organization and American Society of Travel Agents.

Though the placement of ticket stock with commercial accounts in a recent program some 50 key commercial accounts have already been signed up. Commercial accounts are a major source of Amtrak sales and a significant portion of the salesmen's time is devoted to the development of additional sales from this source.

In late 1971, contracts with two major credit card companies for the acceptance of these cards for ticket sales became operative. Six credit cards are accepted, accounting for some 10% of total sales.

BOARD OF DIRECTORS

In the 1972 amendment to the Act, Congress specifically requested the Secretary of Transportation to assess the degree to which the Amtrak Board of Directors represents the interests of its consumers. A brief discussion of the formation and role of the Board follows.

A Board of Incorporators was established by the basic legislation. Its purpose was to establish the corporation, including the filing of articles of incorporation. The Act authorized a 15-man Board of Directors; eight to be appointed by the President of the United States for four year terms and to include the Secretary of Transportation and a consumer representative; three members to be elected by the holders of common stock (railroads); and, four to be elected annually by the holders of preferred stock. A chairman is elected annually from the members of the Board.

Amtrak has not issued preferred stock; therefore, the Board of Directors consists of seven members appointed by the President of the United States, one vacancy exists, and three members representing railroads holding common stock. Following are the Board members, their main occupational interest, and expiration date of their terms.

<u>Public Members</u>	<u>Background</u>	<u>Term Expires</u>
1. Mr. David Kendall	Retired, VP-General Counsel, Chrysler Corporation	April 28, 1973
2. Vacancy	Consumer Representative	April 28, 1973
3. Gen. Frank Besson	Retired, U.S. Army Chief of Transportation	April 28, 1974
4. Mr. Charles Luna	Retired, President United Transportation Union	April 28, 1974
5. Mr. David Bradshaw	Attorney	April 28, 1974
6. Mr. John Gilhooley	Chairman of the Board and President, Transport of New Jersey (an urban bus operating company)	April 28, 1975

- | | | |
|----------------------------------|--------------------------------|----------------|
| 7. Mr. Roger Lewis
(Chairman) | President, Amtrak | April 28, 1975 |
| 8. Hon. Claude S.
Brinegar | Secretary of
Transportation | ex officio |

Common Stockholder Representatives (Elected Annually)

- | | |
|----------------------|--|
| 1. Mr. Louis Menk | Chairman of Board, Burlington
Northern Railroad |
| 2. Mr. William Moore | President, Penn Central
Transportation Company |
| 3. Mr. William Quinn | Chairman of Board, Milwaukee
Road |

The Board meets monthly; it serves as the policy making body of Amtrak and it approves or disapproves major proposals by management. For example, all capital expenditures of \$100,000 or more must have Board sanction; additions in service that would increase train miles (other than in Northeast Corridor) also require Board approval.

The Board of Directors is charged with the responsibility of fulfilling the role given Amtrak by Congress.

"The Corporation shall be a for profit Corporation, the purpose of which shall be to provide intercity rail passenger service, employing innovative operating and marketing concepts so as to fully develop the potential of modern rail service in meeting the Nation's intercity passenger transportation requirements." (Sec. 301 -- PL 91-518)

Therefore, the Board of Directors has the responsibility of improving rail passenger transportation on as sound an economic base as possible. Most of this report deals with the progress made to date by Amtrak in fulfilling its mission. More can be done to improve service and to bringing innovative services and new equipment on line;

these matters are also fully discussed elsewhere. In general, Amtrak's progress to date and its plans for the immediate future clearly establish a record of attention to needs of that portion of the traveling public who use intercity rail passenger trains.

The consumer, in the final analysis, votes for the success of intercity trains when he buys his ticket and uses the service. That he should have a role in promoting the service and helping Amtrak management build a stronger ridership base is also evident. Amtrak has worked closely with travel promotion groups and regional and state transportation councils and has reviewed the many suggestions that the public has provided in direct correspondence.

Formalizing a consumer role to assist in the development of markets and services is an appropriate step for Amtrak management consideration. DOT recommends that an advisory mechanism be considered to give intercity rail passengers the means to promote the growth of the market. An advisory committee should be created administratively by Amtrak management.

MAIL AND EXPRESSBackground

The amendment to Section 305 of the Rail Passenger Services Act of 1970 directed Amtrak to take the necessary action to increase revenue by carrying mail and express. Amtrak was also directed to acquire or modify equipment for this purpose. The following sections discuss Amtrak's achievement and plans in complying with these requirements.

Mail

Since 1971, Amtrak has been developing a program to supplement its passenger revenue with revenue from mail and express carried in baggage cars. Although this program began slowly due to the need to investigate capabilities and to negotiate with the United States Postal Service, it has reached the point where mail revenues are projected to be \$4 million in 1973.

TABLE 3-2

MAIL & EXPRESS REVENUE

<u>YEAR</u>	<u>ANNUAL REVENUE, ESTIMATE</u>
1971	\$.8 million
1972	2.5 million
1973	4.0 million (projected)

There are two ways Amtrak can handle mail in baggage cars. The first is to carry a baggage car of mail from origin to destination with no intermediate loading or unloading of mail. In this case, the loaded car is picked up from the postal facility at origin and delivered to a postal facility at the destination point. There is no manual handling by Amtrak. The second method involves loading and unloading mail at intermediate points enroute. This requires having one or more people available to handle the mail at the intermediate set-off and pick-up points. The first method appears to have the best profit potential for Amtrak, unless the Postal Service pays for the extra labor.

Another very significant cost can be incurred from increased switching expense, if the "mail car" needs special handling at either end-point or enroute.

Due to the intense competition among trucks, railroad mail trains, and air carriers, the profit margins available to Amtrak from hauling mail are very tight. Therefore, Amtrak must run a very cost-conscious operation. The on-off handling costs and extra switching costs mentioned above must be kept at a minimum if Amtrak is to haul mail at a net profit.

In general, if a mail car can be hauled on a train without requiring another locomotive, it can generate a profit (presuming the other costs discussed above are kept at a reasonable level.) But, if the addition of a mail car requires adding another locomotive, the incremental cost of the locomotive will probably absorb most of the profit that could have been earned from the mail car. Although Amtrak designed its mail routes to avoid the need for extra locomotives, this objective may not always be realized in operating practice.

After carefully examining its route, pricing, and schedule structure, Amtrak negotiated an initial program of mail service with the Postal Service on a route by route basis. The mail service currently operated is as follows:

TABLE 3-3
REVENUE FROM PRESENT MAIL ROUTES

<u>ROUTE</u>	<u>PROJECTED ANNUAL REVENUE</u>
Boston - Miami	\$ 334,000
New York - Washington, D.C.	6,000
New York - Chicago	196,000
Washington, D.C. - Chicago	182,000
Chicago - Minneapolis	104,000
Chicago - Seattle (Northern Route)	495,000
Chicago - Jacksonville	287,000
Chicago - St. Petersburg	325,000
Chicago - Miami	380,000
Chicago - New Orleans	200,000
New York - Los Angeles	671,000
Chicago - Albuquerque	<u>234,000</u>
	\$3,414,000

An example of the importance of tight cost control can be seen in the three mail routes from Chicago to various end points in Florida. The Chicago-Florida run carries three mail cars in addition to the car which handles passenger baggage. The mail cars were added to the train under the assumption that a prior increase in train size required a second locomotive. However, in practice, the mail cars have required the use of a third locomotive. The projected annual revenue contribution of the three mail cars is \$992,000, but the annualized cost of running the extra

locomotive is roughly \$690,000. Thus, even before paying for switching at Jacksonville or for the operation of the three mail cars themselves, the contribution of the mail service is not as large as it might have appeared.

Mail service is currently projected to be extended to the following routes:

1. Chicago - Los Angeles
2. New Orleans - Los Angeles
3. Montreal - Washington
4. Chicago - Houston
5. Chicago - Oakland
6. Boston - Miami (additional service)
7. Chicago - Spokane
8. Los Angeles - Oakland

Amtrak's potential for expanding its mail service, however, is limited. The current Postal Service criteria for selecting mail carriers are: timing, price, and speed. Amtrak will soon have tapped most of the market in which they can meet these criteria.

Timing appears to be the biggest obstacle to expansion of Amtrak mail routes. In the past, mail was delivered to a Railway Post Office car from the local Post Office at the end of day, and sorted enroute for delivery to the local post office the next morning. The present Postal Service procedures require considerably more time-consuming sorting. This often prevents overnight service by train. To arrive for morning delivery at local Post Offices, the mail must be delivered to regional postal centers the previous night for sorting. This requires a nighttime arrival of the train rather than a morning arrival. However, most Amtrak trains are scheduled for morning arrival for passenger convenience. Amtrak's

ability to meet the Postal Service criterion on timing while providing service required by rail passengers is limited, this is because passenger-convenient schedules are frequently not Post Office-convenient.

The surface transportation of mail is priced on the basis of the linear space occupied by the mail in the vehicle. Nationally, the rates charged by truckers range from 24¢-51¢ per mile for 40 feet of space, a standard trailer. The rates in the West represent the low end of the range, and those in the East are at the high end. The average truck rate is approximately 36¢ per mile. The truck rates apply to a minimum 40 feet of space whether or not it is all utilized. Amtrak has established a single nationwide rate of 27¢ per mile for a minimum space of 30 feet. Any space above the 30 feet minimum is charged at the rate of 9¢ per mile for each additional foot. Amtrak, therefore, is price competitive. But, due to the very low rates that dominate mail transportation, Amtrak must run a very cost-conscious operation.

In terms of the third Postal Service criterion, speed, Amtrak is generally not competitive with trucks except on certain long haul routes. In short haul, point-to-point mail routes truck service is normally considerably faster than rail. Even if the train travel time matches that of the truck's over-the-road time, the truck can back into an unloading dock while the mail car must be handled to the postal facility, or the mail transferred to truck for delivery to the Post Office. On long haul routes such as Chicago-Seattle, Amtrak offers a slight speed advantage over truck.

Considering the three United States Postal Service criteria, Amtrak has done a good job of moving into the available mail market. Although some additional revenue is still available, the bulk of this market has probably been tapped.

Express

The term "express" refers to high priority items such as packages, newspapers, magazines, and unaccompanied baggage. Express is customarily carried in baggage cars that are already in the train to handle passenger baggage.

Express has a much higher revenue/volume ratio than mail; it appears to offer considerable profit potential to Amtrak.

Amtrak is just beginning to develop express business, having initially concentrated on mail. Priority small package service is presently offered between New York and Washington. Annualized revenue by the third month of this operation reached \$14,000 (mail revenues are \$44,000 for the same area after one year.) Amtrak handles priority packages on a guaranteed delivery basis, i.e., the package will be available at destination by a specific time. This type of service will soon be extended north to Boston and south to Richmond, and it will be inaugurated between New York and Buffalo and between Chicago and Milwaukee. But, until on-time performance over most of the system is improved, further extension of guaranteed delivery express service must be postponed.

Amtrak is carrying newspapers and magazines on several routes. This "express" currently contributes \$100,000 of annual revenue while incurring little added cost. Finally, Amtrak is carrying unaccompanied baggage on most of its routes.

Mail and Express Equipment

The hauling of mail and express does not require the use of specialized equipment. Passenger baggage cars provide a very satisfactory vehicle. Amtrak currently owns 113 baggage cars and leases an additional 30 cars. This fleet of cars is used to handle baggage, mail and express. Although this fleet of baggage cars is adequate to handle Amtrak's current level of mail and express traffic, it will have to be expanded if the volume increases.

ROADBED

The quality of rail roadbeds is fundamental to the operation of any type of quality rail service -- passenger or freight. Passenger service adds an extra dimension to roadbed requirements, since the roadbed affects comfort

Present State of Track and Roadway

Most railroads, because of marginal earnings, have not been able to make the capital improvements necessary to keep pace with innovations in service and to fully develop their traffic possibilities. One of the most serious underinvestments has been in the maintenance and improvement of basic track and structure.

Railroads have approximately 200,000 miles of main tracks in place and are replacing an average of 2,000 miles per year. The nationwide trend indicates that the railroad industry is concentrating on the use of heavier rail. For example, trackage using rails weighing 130 pounds and more per linear yard increased to 63,000 miles from 53,668 in 1960. At the same time, trackage with lighter rails has decreased.

To support this rail network there are approximately 912 million cross ties in place. In the last few years these ties were replaced at an average of 17 million per year. At this rate, ties would have an average use span of 54 years. An accepted standard life is 35 years.

The present use of the track and roadbed must be evaluated in the light of the fact that traffic is moving in larger volume. Revenue ton miles carried by the line-haul railroads reached a new high of 780 billion in 1972. Along with this increase, the average carload weight has increased ten tons in the last decade, and the average freight train tonnage has risen 26% from 1,430 tons in 1959 to 1,804 tons in 1969.

As traffic moves in greater volumes, often at higher speeds, the need for maintenance increases. Large freight cars with heavier loading impose higher wheel loads on the rails,

increase track stresses, and require stronger track and structures. Passenger service, where operated, imposes its own requirements for comfort, safety and generally higher speeds.

Federal Track Standards

Under the provision of the Railroad Safety Act of 1970, the Federal Railroad Administration (FRA) issued minimum safety requirements for railroad track. Certain technical, geometric, and material requirements are necessary for operation of rail equipment at maximum allowable speeds. The FRA classifications of track and maximum allowable speeds for freight and passenger operations are shown in Table 3-4.

TABLE 3-4
MAXIMUM ALLOWABLE TRACK SPEEDS

<u>Class of Track</u>	<u>Freight</u>	<u>Passenger</u>
1	10 m.p.h.	15 m.p.h.
2	25	30
3	40	60
4	60	80
5	80	90
6	110	110

Signal requirements also limit maximum speeds. Tracks for passenger trains operating at speeds of 60 m.p.h. or more, or freight trains operating at 50 m.p.h. or more, must have an automatic or manual block system. If a manual system is used special restrictions apply to passenger trains. Where trains are operated faster than 79 m.p.h., an automatic train stop or automatic continuously controlled cab signal system must be installed.

FRA track standards became effective October 20, 1971. The requirements are time-phased to permit railroad companies to bring their track and roadbed into compliance. All requirements will be in effect in October 1973.

Impact on Passenger Service

Amtrak's operations utilize about 24,000 miles of the 200,000 route miles of railroad in the United States. The vast majority of passenger service operates over mainline trackage connecting major geographic regions and population centers. With the exception of the Northeast, certain short haul routes, and the New York - Florida route, there is a single frequency in each direction. Most of the track is signalized for higher speed service up to 80 m.p.h. A small percentage of track is signalized for 80 m.p.h. and more.

Highways intersect the railroad system on the average of one highway grade crossing per mile of railroad route. The protection of crossings or their elimination is a major factor and expense in track and roadway improvement, yet experience in the Northeast Corridor shows that the presence of grade crossings limits the ability to operate at high speed.

Superelevation affects the passenger train's use of mainline track. This is a technique in which the outside rail on a curve is raised above the inside rail to allow a train to take curves faster while maintaining passenger comfort. But as freight trains have become heavier and freight cars larger and higher, superelevated tracks have become less desirable from a freight train standpoint. Many railroads have, therefore, been reducing or removing the superelevation.

Roadbed Improvements

Railroad operational problems stemming from poor track maintenance are not confined to either passenger or to freight services. Almost a third of Amtrak's delays are attributable to "slow orders" -- areas in which temporary speed restrictions have been placed due to track conditions. But inadequate track maintenance has an even greater impact on freight operations; slow speeds and delays cause increased costs due to poor utilization of crews and equipment. Quality of service is adversely affected. Freight is the railroad industry's primary source of revenue. To move it efficiently requires a well-maintained plant. Therefore, adequate track and roadbed maintenance is essential.

The \$50 million in roadbed expenditures planned by Amtrak in FY 1974 are in high density markets with high ridership and using high performance equipment.

IV. INTERCITY RAIL PASSENGER SYSTEM RECOMMENDATIONS

In establishing the National Rail Passenger Corporation, Congress provided that no change could be made that would reduce the Basic System route structure until July 1, 1973. After that date, Amtrak is authorized to initiate discontinuance procedures for any part of the Basic System not required by public convenience or necessity, or whose continuance would impair the ability of Amtrak to adequately provide other services.

The 1972 amendment to the Act requires that the Secretary of Transportation, in this report on intercity rail passenger service, provide specific recommendations on the establishment of an intercity rail passenger system as soon as possible after July 1, 1973, taking into account economic feasibility, public convenience and necessity, and the ability of Amtrak to provide service over the total system. The amendment also specifies that the Secretary's report is to include recommended routes and discontinuances.

Thus, Congress has provided direction to both Amtrak and the Department of Transportation that the development of an optimum intercity rail system must be a dynamic process; one of analysis and change where required. It must necessarily be an evolutionary process, too, since the development of a sound route structure is dependent upon the variations over time of ridership, revenues, , and costs. This Section of the report discusses these issues and presents the recommendations of the Secretary of Transportation. The discussion is divided into three parts:

- Route Analysis and Recommendations
- Financial Analysis and Recommendations
- Procedural Recommendations

ROUTE ANALYSIS AND RECOMMENDATIONS

To reach sound decisions on the routes to be operated after July 1, 1973 it is necessary to have (1) data on both actual and projected ridership, revenues, and costs for FY 1972 to FY 1975 and (2) criteria to determine the nature of the inter-city system after July 1, 1973.

Data Base and Definition of Terms

In designating the Basic System, one of the most difficult obstacles was the lack of a valid set of data on ridership, revenues, and cost. DOT requested Amtrak to provide data on actual experience in FY 1972 and estimates for FY 1973, and to project ridership, revenues, and cost for FY 1974 and FY 1975. Amtrak provided these estimates on a route-by-route basis. Following are some the major factors which were taken into account in these projections:

- The effect on revenues of improvements in the quality of service, new high speed equipment, and extensive advertising efforts which are being implemented.
- Increases in cost of labor and materials.
- The effect of significant operating cost reductions such as will be realized by the purchase of new locomotives or by discontinuing or modifying high cost terminals.

Since in most instances these factors depend on Amtrak management and operating decisions, the data presented by Amtrak became the basis for the DOT review.

The cost allocation method was developed by Amtrak. In it corporate operating costs are divided into two categories: "route costs" and "semi-fixed" costs.

Route costs are those which can be directly allocated to a single route.

Semi-fixed costs are those which are applicable to all or several routes, including general and administrative expenses of the railroads and Amtrak and not readily allocable to a particular route.

More specifically, route costs include reimbursement to the railroads for labor, materials, and allowable indirect costs associated with operating trains or stations on a given route. Any expense of a similar nature which Amtrak incurs, such as labor and indirect costs for train or station personnel, are also included in the route costs. Any depreciation allowance applicable to equipment or facilities used solely on a route is also part. Finally, the route costs include a payment to the railroad for expenses that the railroad would avoid if the passenger service were not operated.

Semi-fixed costs comprise all other operating costs. This includes Amtrak's cost of operating facilities and terminals that serve more than one route, the general and administrative expense of both Amtrak and the railroads, interest expense and depreciation on facilities and equipment which are not solely related to a route, and payments for which Amtrak may be liable due to personal injury or property damage arising from accidents. Revenue arising primarily from income from joint terminal concessions is credited against semi-fixed costs. The net semi-fixed cost is on the order of 23% of total corporate operating costs.

The difference between the route costs and the revenue collected for a given route is the route profit or loss. Frequently in this report route profit or loss is expressed in terms of the profit or loss per revenue passenger mile. Normally, when the term "breakeven" is used it refers to a balance between route costs and revenue.

The Criteria

In designating the Basic System in January, 1971, the Secretary of Transportation used an interrelated set of eight criteria.

1. The Nation's total transportation needs - The availability of alternative transportation modes and the existing travel patterns should be considered to ensure that the designated rail passenger network will make an optimum contribution to the Nation's total transportation system.
2. Demand - Anticipated rail ridership should be substantial.

3. Cost - Projected ridership levels should enable the proposed rail service to operate at a cost which is competitive with the cost of alternative modes.
4. Integrated national rail network - The points should be selected so that they can be efficiently served by the Corporation as part of an integrated national rail passenger network.
5. Population - The points to which service is required should generally have SMSA populations of one million or more and the route options between these points should touch a large number of intermediate population centers.
6. Profitability - Operating cost and revenues of each route and of the total system should be such that:
 - a. no single service requirement will impose an undue burden on the Corporation as compared with each of the other points served, and
 - b. the financial resources of the Corporation are sufficient to operate the total system.
7. Corporate flexibility - Points should be selected and service characteristics prescribed by the Corporation so that through effective management, necessary service adjustments can be made.
8. Capital improvements required - Points should be selected to require a minimum of costly fixed capital improvements, to allow the Corporation to concentrate its investment in modern equipment and improved service.

After examining these criteria in light of actual experience and considering the requirement of Section 800 (b) of the Act, that the Secretary base his recommendations on "economic feasibility requirements as to public convenience and necessity, and the ability of the Corporation to provide service adequate over the total system..." it was felt that on the whole the above criteria are as valid today as when they were originally applied. The criteria were first used in a prospective sense to establish a Basic System. They are now being used to determine whether based on actual and projected performance, routes are meeting the criteria, and if not whether certain routes should be discontinued as a result.

Evaluation Procedures

The evaluation of existing routes was accomplished in 4 steps:

1. Identify the routes whose performance raised questions as to whether the routes still met the criteria
2. Compare the DOT analysis with that of Amtrak and its consultants.
3. Examine questionable routes to see whether changes are underway or could be made to warrant retention in the system.
4. Examine the impact of eliminating the route against the overall criteria, with regard to the area and specific population affected.

When considering the possibility of eliminating a route, particular attention was given to alternative modes of transportation available to the affected population. In each case where it is recommended that service be discontinued, well developed alternatives are available. In addition, the desire to preserve an interconnected rail system was given priority. The recommended system preserves essential regional and national interconnectivity.

As in the original process for picking the Basic System, the procedure was applied separately to the "short haul" and the "long haul" routes. The characteristics -- demand and usage patterns, service features, cost, and competitiveness with other modes -- of short haul and long haul service are totally different. The international connections required by the 1972 amendment to the Act were considered separately.

Additional Service: Given the overall financial position of Amtrak -- net cash losses of \$152.7 million in FY 1972 and an estimated \$124.0 million in FY 1973 -- DOT did not undertake a comprehensive analysis of whether new or additional routes should be mandated. Clearly, the level of existing service must be stabilized and improved prior to making additions. Additional service at this time would only increase Amtrak's deficits and require spreading its limited resources over a longer system; no routes would receive resources adequate to assure a truly improved passenger service.

At this formative stage of Amtrak's operation, the initiation of additional service through FY 1974 should not impair the financial ability of the Corporation to operate other services. Any decision to add service should be based on an assessment of markets, ridership and revenue potential and costs, except in those instances where a State, regional, or local agency chooses to use the provision of Section 403(b) of the Act to reimburse Amtrak for a major portion of any losses.

Long Haul

As a first step in assessing the relative performance of each route in meeting the criteria, DOT arrayed them on the basis of the estimated loss per passenger mile in FY 1975. (This term refers to out-of-pocket losses on the given route and does not include unallocated overhead.) Loss per passenger mile was deemed to be one of the most useful performance indicators, since it relates the ultimate transportation productivity of each route (passenger mile) to the required public costs (Federal assistance). An absolute measure, such as total loss per route does not take cognizance of the public benefit nor does it fully relate public costs to benefits. FY 1975 was selected as the base year of comparison to permit all routes to receive the projected benefit of an additional two years of operation.

This ranking of loss per passenger mile in FY 1975 was then compared with:

- o loss per passenger mile in FY 1972 and FY 1973, the only years for which actual data exists.
- o passenger miles/train miles (PM/TM) in FY 1975, (PM/TM is defined as the ridership of a given train divided by the total trip mileage, thus providing an average passenger count per mile.)
- o estimated increases in ridership required to "breakeven" in 1974 and 1975.

These comparisons tended to follow the basic ranking. Table 4-1 shows the loss per passenger mile for the long haul routes, as well as PM/TM projected for FY 1975:

TABLE 4-1
FINANCIAL PERFORMANCE AND RIDERSHIP
LONG HAUL ROUTES

Route 1/	EST. ROUTE PROFIT(LOSS)PER PASSENGER MILE (¢ PER PASSENGER MILE)				PM/TM3/ EST.
	FY 1972	FY 1973	FY 1974	FY 1975	FY 1975
Chicago -					
Los Angeles	(1.5)	(0.8)	(0.1)	0.5	199
New York -					
Florida	(1.8)	(1.1)	(0.6)	0.1	203
Chicago -					
Seattle	(3.1)	(2.0)	(1.3)	(0.5)	177
Chicago -					
San Francisco	(3.2)	(2.5)	(1.5)	(0.6)	113
Seattle -					
San Diego	(3.6)	(3.4)	(1.2)	(0.6)	107
Los Angeles -					
New Orleans	(2.4)	(2.4)	(1.8)	(1.1)	175
Chicago -					
New Orleans	(2.0)	(1.6)	(1.0)	(0.4)	162
Southern					
Montana	(2.8)	(3.5)	(2.7)	(1.9)	201
New York/D.C. -					
Chicago	(5.5)	(3.9)	(2.8)	(1.9)	166
Chicago -					
Houston	(4.2)	(4.0)	(3.4)1/	(2.5)1/	137
Chicago -					
Florida	(11.5)	(5.7)	(5.0)	(3.5)	57
Chicago-D. C/					
Newport News	(19.1)	(12.0)	(9.2)2/	(8.1)2/	44
New York/D.C. -					
Kansas City	(18.9)	(14.7)	(14.4)	(13.3)	34

Note: The data above allocates out-of-pocket costs and depreciation to each route. It does not allocate certain corporate semi-fixed costs.

- 1/ Loss/PM in FY 1974 and FY 1975 is projected to reduce to 2.8¢/PM and 1.9¢/PM, respectively, as a result of combining the trains over the Chicago-Kansas segment during off-peak months.
- 2/ Loss/PM in FY 1974 and FY 1975 is projected to be 2.1¢ and 1.9¢/PM respectively if Chicago-Florida route were discontinued and the diverted passenger and mail traffic is credited to the Chicago-Cincinnati-Richmond route.
- 3/ PM/TM is average ridership on a given train.

- Seven routes will have allocated route deficits of less than 2¢ per passenger mile in FY 1975.
- Four routes will have allocated route deficits of more than 2.5¢ per passenger mile in FY 1975; these are:

Chicago-Houston
 Chicago-Florida
 Chicago-D.C./Newport News
 New York/D.C. - Kansas City

The routes in the last category were examined further. Since they have low patronage and are expected to continue to have low patronage, one must question whether they are fulfilling a public need and whether further investment of public resources is warranted.

The four routes identified in our analysis are identical with the long haul "problem" routes identified by Amtrak's and their consultant, McKinsey & Co. For example, McKinsey & Co. stated that "current volume appears to be too far from supporting break-even operations and the total market potential too limited to justify continued service" on the four routes, -- Chicago-Houston, Chicago-Miami, New York/Washington-Kansas City, and Norfolk-Cincinnati".

Each route in this group was then examined to see whether, with operating changes, its continuance was warranted under the criteria discussed previously.

Conclusion: It was found that the Chicago-Florida and the New York/Washington-Kansas City routes should be discontinued. The service from Chicago through Cincinnati should be continued to Richmond, at which point it would connect with the New York-Florida trains. The Richmond-Newport News segment of this route should be discontinued. The Chicago-to-Kansas segment of the Chicago-Houston route should be combined with the Chicago-Los Angeles route during the off-season.

A discussion of each of these routes follows:

Chicago-Houston - The Basic System designation requires that this be operated as an independent route, but the route is identical with the Chicago-Los Angeles route for nearly 35 per cent of the route miles. While the independent analysis by McKinsey & Co. did not see a market potential for the continuation, DOT believes that, with a projected average of 137 passengers, there is a reasonable base from which to continue to

try to further develop this market. Therefore, prior to making any decision to discontinue the complete Chicago-Houston route, whenever possible it should be combined with the Chicago-Los Angeles route through Kansas, and operated as a separate route only from Kansas to Houston. With a slight shift in schedules this combined service would be offered for about eight off-peak months a year, when excess capacity is available. Amtrak has estimated that this should reduce the loss to 1.9¢ per passenger mile by FY 1975.

Recommendation - It is recommended that the service between Chicago and Houston be continued, but it should be combined with the Chicago-Los Angeles service during the off-peak months.

Chicago-Florida - This route is part of the designated Basic System. Its actual and projected patronage is poor. It is estimated that in FY 1975 there will be on the average only 57 passengers aboard at any one time. This is approximately one-fourth of the patronage on the New York-Florida trains. (see Table 4-1). The poor ridership has been reflected in the financial performance of the route. DOT and Amtrak concur that the projected demand is insufficient to warrant continuation. Discontinuing this route, but continuing to provide service between the end points, via Chicago, Cincinnati, and Richmond, will strengthen another marginal route. The route from Chicago through Cincinnati would warrant discontinuance except for the projected diversion in passengers and mail revenues from the discontinued Chicago-Florida route.

Discontinuing the Chicago-Florida route will affect service from Indianapolis to Jacksonville; the remainder of the city pairs will be served by routes which are being continued. The Chicago-Cincinnati-Richmond route will provide service to Florida by connecting with the New York to Florida trains at Richmond. While over half of the present route mileage will be discontinued, the cities involved are already being well served by other modes.

Service will be discontinued to the central part of both Kentucky and Tennessee. The following cities will no longer be served by Amtrak.

<u>City</u>	<u>Population</u>
Louisville, Kentucky	849,000
Nashville, Tennessee	554,000
Birmingham, Alabama	773,000
Montgomery, Alabama	203,000

Rail service to Birmingham will continue on the Southern Railroad's Washington to New Orleans route.

Alternate Service: The rail, bus, and air service between Indianapolis and Jacksonville is shown on Table 4-2.

Table 4-2

Sample Daily Intercity Service between Indianapolis and Jacksonville, and Intermediate Points.

<u>City Pair</u>	<u>One Way Trips/Daily</u>		
	<u>Rail</u>	<u>Air</u>	<u>Bus</u>
Indianapolis-Louisville	1	8	8
Louisville-Nashville	1	5	17
Nashville-Birmingham	1	3	11
Birmingham-Montgomery	1	4	10
Montgomery-Jacksonville	1	[A]	2

[A]Over 15 connecting flights through Atlanta

Interstate 65 parallels this route from Chicago to Montgomery. In 1972, Amtrak handled 7.4% of the trips between these cities. McKinsey & Co. estimates that, despite a sizeable increase in travel between these cities, by 1977 the rail share of the market will decrease to 3%.

Between Indianapolis and Jacksonville, the other modes have superior running times. The average Amtrak speed is 42 m.p.h., and significant improvements in speed are not possible without major capital investments which in turn cannot be supported by the projected demand.

In summary, the actual and projected performance shows that (1) the route is not required as part of an integrated rail passenger network, (2) well developed alternative transportation services are available, (3) the actual or projected demand can be met by the alternative modes, and (4) rail services between Chicago-Indianapolis and Florida will be preserved through connecting service at Richmond.

Recommendation - It is recommended that the Chicago-Florida route be discontinued effective July 1, 1973.

Chicago-D.C./Newport News - The designated Basic System requires service between Chicago and Cincinnati and between Cincinnati and Norfolk/Newport News. However, Amtrak has deemed it operationally desirable to meet these requirements by running a single through train. DOT, therefore, evaluated the route on this basis.

This is not a strong route from either a patronage or a financial performance standpoint, but diverted passenger and mail traffic from the discontinued Chicago-Florida route will be of significant benefit. Amtrak has estimated that the discontinuance of the Chicago-Florida service will divert sufficient passenger and mail patronage to bring the loss below 2¢ per passenger mile in FY 1975.

While this diversion will help the performance of the principal portion of the route from Chicago to Richmond, the actual and projected traffic volume is insufficient to warrant continued operation of the segment between Richmond and Newport News.

Alternate Service: Other modes provide both frequent and faster service. Most significant is that Interstate 64, which will soon be completed, parallels the Richmond-Newport News segment. There currently are six, daily, one way airline trips and 21 bus trips between the cities. The bus and auto running times is approximately one hour and 40 minutes and the air time is 26 minutes, while Amtrak's running time is two hours and 45 minutes.

McKinsey and Co. estimates that the train has only 5,000 riders per year between these points, and they foresee no significant increase between 1972 and 1977, apparently due to the attractiveness and state of development of the other modes.

After careful examination, it was concluded that the routes should continue to be operated, but that the Richmond-Newport News section should be discontinued.

Recommendation - This route should be continued as Chicago-Washington/Richmond service, with connections to Florida at Richmond.

New York-Kansas City via St. Louis and Washington-St. Louis These two end-point city pairs are served as a single route: New York/Washington-Kansas City. The actual and projected ridership and financial performance is poor. This is reflected in the estimate for FY 1975 which forecasts the equivalent of only 34 average passengers on board and a loss of 13.3¢ per passenger mile.

This route serves several major population centers. One of the primary reasons it was originally included in the Basic System was to provide direct rail access from the East to the West without connecting through Chicago. Actual performance, however, clearly shows that the traveling public views Chicago as the primary railroad gateway to the West. As shown on Table 4-1, the New York/Washington-Chicago route in FY 1975 is projected to have an equivalent of 166 full distance passengers, as compared to 34 passengers on the New York/Washington-Kansas City route. As shown on Table 2-1, ridership in the last months of 1972 had increased significantly, over a very low original base. This increase has only been partially taken into account in the projections on Table 4-1. If this rate of increase is sustained, the losses shown on Table 4-1 will decrease. Even in the best circumstances, however, the losses would not be less than approximately 5¢ per passenger mile in 1975.

Alternate Service: In considering the discontinuance of this route, the impact on the present limited number of passengers and the availability of other transportation has been taken into account. The St. Louis-Kansas City segment has a very highly developed set of alternate modes of transportation. Most important is Interstate 70, which runs between these two cities; it permits approximately a four hour running time for autos and buses, which is one hour and 45 minutes faster than Amtrak. Automobile travel between these points now accounts for 80 percent of the passenger trips. While there is one train a day each way between St. Louis and Kansas City, there are 18 one way daily trips by air, and 11 by bus. At this time, Amtrak is carrying less than 1% of the passenger trips between these points or approximately 3,000 trips annually. McKinsey & Co. sees no change through 1977.

Four of the six major cities on this route are served by other Amtrak routes. Thus, passengers terminating in St. Louis or those connecting with other trains or terminating in Kansas City will still be able to make connections through Chicago.

As a result of dropping this route, service will be discontinued to Columbus, Ohio, with a population of 916,000 and Dayton, whose population is 250,000. As in the case of the St. Louis-Kansas City segment, Interstate 70 parallels the Amtrak route West of Pittsburgh. There are 7 daily air trips between Pittsburgh and Columbus and 11 bus trips.

McKinsey & Co. shows that Amtrak's share of the passenger trips between Pittsburgh-Columbus and Pittsburgh-Dayton combined is less than 1% and is not expected to change by 1977.

In summary, the actual and projected performance on this route does not support its continuation. The continued high annual loss per rider and the highly developed alternative modes indicate that this route is not a required part of an integrated rail passenger network.

Recommendation - It is recommended that the New York-Kansas City/D.C. route be discontinued effective July 1, 1973.

Short Haul Routes

A similar procedure to that outlined above was used for the short haul routes. Table 4-3 presents the loss per passenger mile for the short haul routes, as well as the PM/TM projected for FY 1975.

TABLE 4-3
FINANCIAL PERFORMANCE AND RIDERSHIP
SHORT HAUL ROUTES

Route 1/ Route 2/	EST. ROUTE PROFIT(LOSS) PER PASSENGER MILE (¢ PER PASSENGER MILE)				PM/TM ³ / EST.
	FY 1972	FY 1973	FY 1974	FY 1975	FY 1975
Northeast					
Corridor 2/	(1.2)	(0.7)	(0.5)	0.0	215
Chicago -					
St. Louis	(3.5)	(2.7)	(0.2)	0.1	171
Los Angeles -					
San Diego	(3.1)	(3.9)	(0.5)	0.0	135
Seattle -					
Portland	(5.0)	(4.9)	(0.6)	0.0	68
Chicago -					
Detroit	(8.7)	(8.6)	(0.3)	(0.3)	155
New York -					
Buffalo	(6.6)	(4.6)	(5.0)	(1.4)	91
Chicago -					
Carbondale	(3.5)	(2.6)	(2.1)	(1.5)	167
Chicago -					
Milwaukee	(12.4)	(15.4)	(5.4)	(4.7)	122
Washington -					
Parkersburg	(23.3)	(33.3)	(25.0)	(25.6)	13

NOTE: The data above allocates out-of-pocket costs and depreciation to each route. It does not allocate certain corporate semi-fixed costs.

- 1/ Does not include Chicago - Quincy Section 403(b) service.
- 2/ Section 403(b) service in Boston/Springfield and Philadelphia/Harrisburg is included.
- 3/ PM/TM is average ridership on a given train.

The data in Table 4-3 indicates:

- o Five routes are estimated to have revenues in excess of allocated route costs in FY 1975.
- o Three routes are estimated to have deficits based on route costs of 1.5¢ per passenger mile or less.
- o Two routes, Chicago - Milwaukee and Washington - Parkersburg, are estimated to have deficits greater than 2¢ per passenger mile in FY 1975.

On the basis of an analysis of all of the data, it was concluded that the experimental Washington - Parkersburg route should be discontinued and the Chicago - Milwaukee route continued through FY 1974. By that time, it should be possible to confirm if the initiation of TurboTrain service on the Chicago - Milwaukee route will yield the ridership increases Amtrak expects.

A further discussion of these two routes follows:

Chicago - Milwaukee - McKinsey & Co. in their study for Amtrak concluded that while the ridership on this route has been poor, the route would be highly sensitive to fare changes, frequency, and speed. They point out that the estimated increase in passenger rides between these cities will be approximately 18% per year through 1977. This growth is particularly important for short haul rail passenger service due to the contiguous nature of the Chicago and Milwaukee populations. Amtrak believes that this route can meet the criteria outlined earlier, given the marketing changes they plan. These changes include frequency adjustments together with initiation of service by the Turbo-Trains.

In light of this, DOT believes that additional time is warranted to see whether these efforts will make the necessary improvements in the ridership and financial performance.

Washington - Parkersburg - This route was not required in the Basic System. It was initiated in September 1971 as an experimental service. Subsequently, in 1972, a TurboTrain was operated for approximately 3 1/2 months, to see whether passengers would respond to this improved service.

However, based on actual experience, Amtrak is projecting that the loss on this route will be \$1.1 million in FY 1973, and will continue at that level in FY 1974 and FY 1975. Revenues are expected to average only \$200,000 per year.

As shown on Table 4-3, the route loss will range between 25.4¢ per passenger mile in FY 1973 and 14.1¢ per passenger mile in FY 1975. Primarily, these losses result from extremely low ridership, rather than from high operating costs. For the 52 weeks beginning March 1, 1971, the average daily ridership over segments of the route was:

<u>Segment</u>	<u>Passengers</u>
Washington - Silver Spring	62
Silver Spring - Cumberland	15
Cumberland - Parkersburg	5

This route covers a distance of 355 miles. Once it leaves the Washington area, it serves essentially rural areas. The travel time is almost nine hours, at an average speed of 39 m.p.h., mainly due to the topography. Since train service on the B&O is provided daily between Washington, D.C. and Brunswick, Md., the most patronized segment of the route, little justification exists for continuing the present route.

The actual and projected ridership on this experimental route is too low to warrant continuation of service with large amounts of Federal assistance.

Recommendation - It is recommended that the Washington-Parkersburg route be discontinued as soon as possible.

International Routes

The 1972 amendment to the Act required that Amtrak initiate service between points within the United States and (1) Montreal, Canada; (2) Vancouver, Canada; and (3) Nuevo Laredo, Mexico. This service has been initiated as follows:

<u>Route</u>	<u>Service Initiated</u>
Seattle - Vancouver	July 17, 1972
New York - Montreal	September 29, 1972
Fort Worth - Nuevo Laredo	January 29, 1973

Since the routes have been operating for such a brief time, it is not possible to project their long term public acceptance and financial performance. At least one more year of operation is required for a fair market test of these routes.

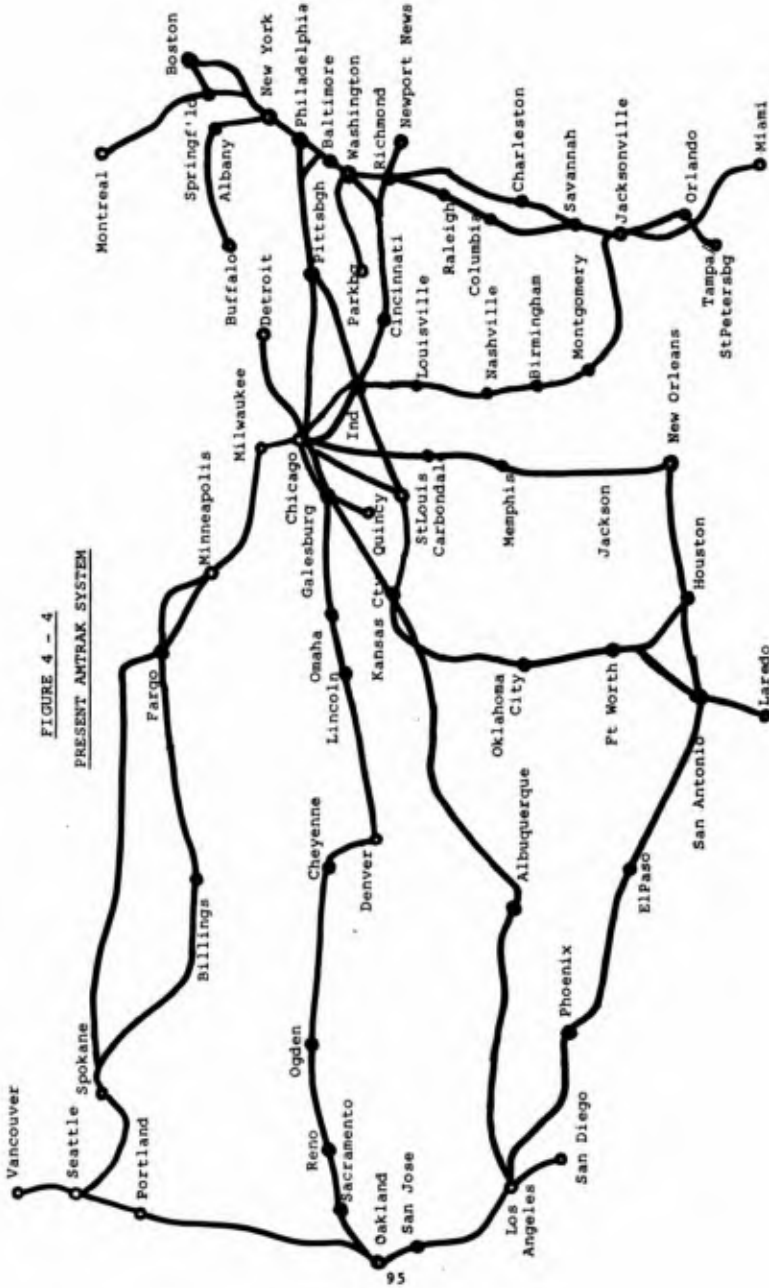
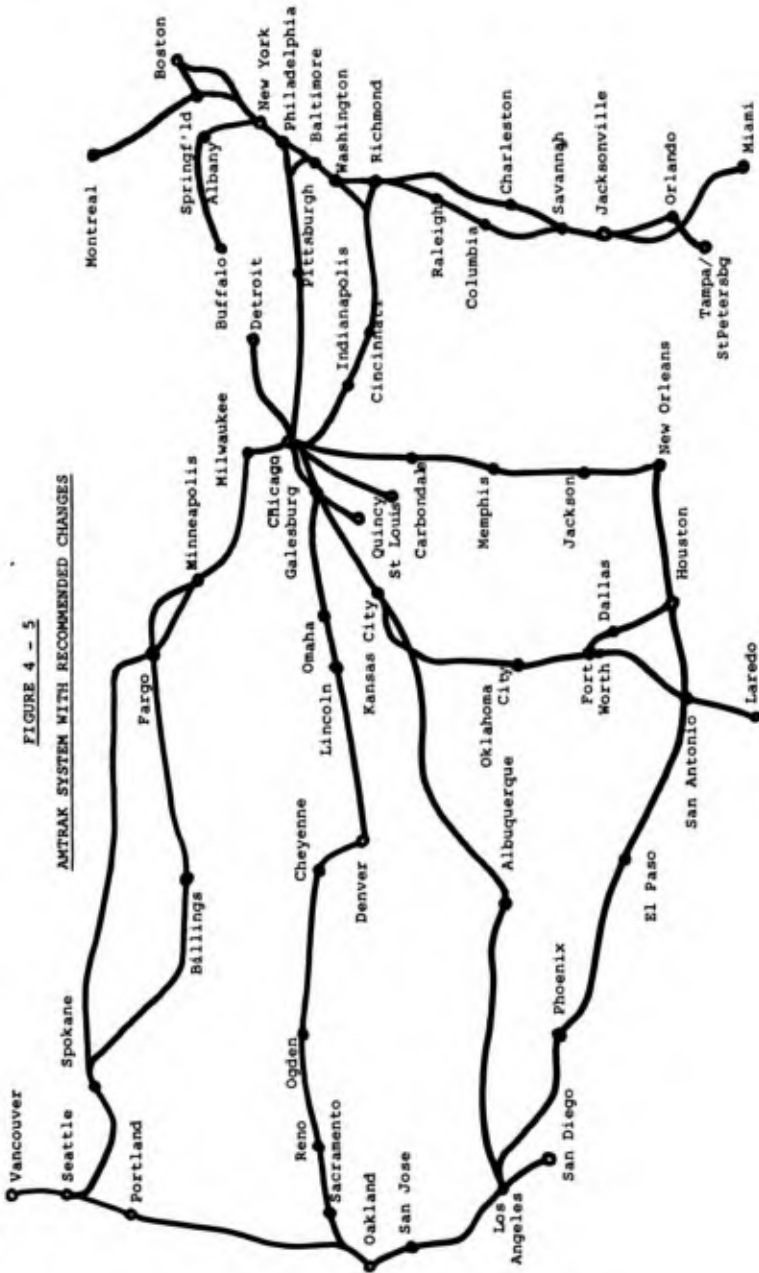


FIGURE 4 - 5

AMTRAK SYSTEM WITH RECOMMENDED CHANGES

Summary

Based on a re-examination of the current route structure, the following is concluded:

1. The long haul system should be reduced by the elimination of two routes in the Basic System -- (1) Chicago - Florida and (2) New York-Kansas City/D.C.; and by adjustments to the Chicago - Washington/Newport News and Chicago - Houston routes.
2. The short haul system should be reduced by discontinuing the Washington - Parkersburg experimental service.
3. No changes should be made in the international routes at this time.

Figure 4-4 shows the intercity rail passenger service as it now exists; 4-5 the effect of the changes recommended above; and 4-10 the Interstate Highway System.

Other characteristics for the Amtrak system before and after the change are presented in Table 4-6, which indicates that although the annual train miles will be reduced by 14%, passenger miles will be reduced by only 3% in 1975 and the SMSA population served by 5%.

TABLE 4-6
EFFECT OF RECOMMENDED CHANGES ON
RAIL PASSENGER SERVICE

	<u>Present System</u>	<u>Modified System</u>	<u>Percent Change</u>
States served <u>1/</u>	45	44	- 2%
Population served (millions)	108.8	103.2	- 5%
Route miles (thousands)	26.3	22.6	-14%
Trains, daily	195	189	- 3%
Annual trains miles (millions)	26.7	22.9	-14%
Est. passenger miles in FY 1975 (billions)	3.894	3.774	- 3%

1/ Includes District of Columbia

FINANCIAL ANALYSIS AND RECOMMENDATIONS

The projection of corporate finances is a difficult task even for an ongoing corporation with an established product and market. In the case of Amtrak, more than the usual amount of uncertainties exist.

Based on the recommended route structure, Amtrak estimated the financial requirements for FY 1974 and the planning estimate for FY 1975. A Federal grant of \$93 million is needed for underwrite losses from operations in FY 1974.

TABLE 4-7

AMTRAK FINANCIAL DATA AND PROJECTIONS 6/
Profit (Loss) \$ Millions

ROUTE	Present System		Proposed System	
	FY 1972	FY 1973	FY 1974	FY 1975
<u>Long Haul:</u>				
New York-Florida	\$(8.5)	\$(5.1)	\$(2.9)	\$ 0.7
Chicago-Los Angeles	(5.2)	(3.0)	(0.5)	2.0
Chicago-San Francisco	(5.0)	(4.1)	(2.8)	(1.2)
Chicago-Seattle	(7.2)	(4.9)	(3.6)	(1.5)
Chicago-New Orleans	(1.8)	(1.5)	(1.0)	(0.5)
Seattle-San Diego	(2.2)	(2.1)	(1.2)	(0.6)
New York/DC-Chicago	(5.7)	(4.1)	(3.3)	(2.5)
Los Angeles-New Orleans	(2.0)	(2.0)	(1.7)	(1.2)
Chicago-Cincinnati-D.C./				
Newport News 1/	(4.4)	(3.0)	(1.1)	(1.1)
Southern Montana 2/	(2.0)	(2.6)	(2.8)	(2.3)
Chicago-Houston	(4.5)	(4.5)	(3.4)	(2.6)
Chicago-Florida	(5.1)	(2.6)	- -	- -
New York/O.C.-Kansas City	(5.0)	(4.9)	- -	- -
SUBTOTAL	(58.6)	(44.4)	(24.3)	(10.8)
<u>Short Haul</u>				
Northeast Corridor 4/	(9.6)	(6.2)	(5.0)	(0.5)
Chicago-Quincy 3/	- -	0.1	0.2	0.3
Chicago-St. Louis	(1.1)	(0.9)	(0.1)	0.1
Los Angeles-San Diego	(0.4)	(0.7)	(0.2)	0.0
Seattle-Portland	(0.8)	(0.8)	(0.1)	0.0
New York-Buffalo	(4.1)	(2.6)	(3.1)	(1.4)
Chicago-Carbondale	(0.9)	(0.7)	(0.6)	(0.5)
Chicago-Oetroit	(1.2)	(1.2)	(0.2)	(0.2)
Chicago-Milwaukee	(1.6)	(2.0)	(2.0)	(2.1)
O.C.-Parkersburg 2/	(0.7)	(1.1)	- -	- -
SUBTOTAL	(20.4)	(16.1)	(11.1)	(4.3)
<u>International and Special:</u>				
Vancouver	- -	(0.4)	(0.3)	(0.2)
Montreal	- -	(0.3)	(0.5)	(0.3)
Mexico	- -	(0.3)	(0.4)	(0.2)
Spacial	(2.5) 5/	(0.4)	0.0	0.0
SUBTOTAL	(2.5)	(1.4)	(1.2)	(0.7)
Total, Routes	(81.5)	(61.9)	(36.6)	(15.8)
<u>Semi-Fixed:</u>				
Terminal & Other	(27.6)	(29.8)	(28.5)	(29.2)
Railroad & Amtrak G&A	(44.4)	(36.7)	(41.4)	(54.8)
Total, Semi-Fixed	(72.0)	(66.5)	(69.9)	(84.0)
Total, Operating	(153.5)	(128.4)	(106.5)	(99.8)
Less Depreciation	1.2	4.4	10.9	18.4
Net Cash, Total	(152.3)	(124.0)	(95.6)	(81.4)

1/ Combined data for Chicago-Cincinnati and Cincinnati/O.C.-Newport News routes.

2/ Experimental routes.

3/ Section 403(b) service.

4/ Includes Section 403(b) service in Boston/Springfield and Philadelphia-Narrisburg.

5/ All applicable revenue might not be credited, thus loss is overstated. Also includes loss of \$1.8 million from discontinued Section 403(b) service between New York-Chicago via Cleveland.

6/ Actual data shown for FY 1972, and FY 1973, 1974 and 1975 are estimates.

The estimate of \$93 million rests on the following key assumptions:

1. The estimate does not take into account the current Penn Central claim for significantly higher costs related to passenger service in the Northeast Corridor. (Penn Central filed notice with Amtrak for changes in its contract payments in June, 1972. The issue has not been resolved and could likely go to the ICC for resolution under provisions of the Act.)
2. The estimate is based on existing contracts with participating railroads. Any renegotiation of the basis for payment could result in increased costs.
3. It does not include all the results from the audits of charges by the participating railroads. These audits are now being made; the findings may reduce costs below those projected.
4. It is based on Amtrak's projections of fares, ridership, and costs. Insofar as these are changed, either by internal or external forces, the projections will be affected.

Need for Federal Support

Table 4-7 presents the losses by route by FY 1972 through FY 1975. The net semi-fixed costs and depreciation are also shown.

It is the judgment of both Amtrak and DOT that, at this time, other than Federal grants and loan guarantees there is no source from which Amtrak can fund its operating losses and meet its capital requirements. Given the losses in FY 1972 and FY 1973, as well as the projected losses for FY 1974 and FY 1975, Amtrak is not in a position to issue stock or incur debt without Federal guarantees.

Table 4-8 is the Source and Application of Funds Statement for FY 1972 through FY 1975.

The Capital Program

The future success of Amtrak depends in large part on an active capital program, which is financed largely by Federal loan

guarantees. Amtrak estimates it will commit in FY 1972 and FY 1973 \$147.5 million for capital improvements, mostly locomotives and rolling stock. As mentioned earlier the acquisition of passenger equipment and locomotives will contribute substantially to Amtrak's unified management of a national rail passenger system as well as to having a significant impact on the improvement of on-time performance, savings from the pooling of locomotive power, and major improvements in car utilization.

In analyzing Amtrak's capital requirements it was deemed essential to continue this high level of expenditure. Indeed, for FY 1974 the level of expenditure is accelerated to \$150 million. This will allocate \$100 million to fund improvements and new acquisitions of motive power, passenger cars, the refurbishment and improvement of stations and \$50 million for right-of-way improvements in high density areas. In FY 1975, the capital program will continue at a level of \$100 million. Thus, in the three year period, FY 1972 - FY 1974, Amtrak is planning to commit \$300 million for capital improvements. This level of commitment is to insure that rail passenger service will be revitalized and will have an opportunity to establish its role in a balanced national transportation system. An increase in the amount of loan guarantee authority is indicated.

Table 4-9 summarizes Amtrak's capital program for FY 1974.

Financial Recommendation

The continuing need of Amtrak for Federal funding support in the form of grants and loan guarantees has been identified earlier. Therefore, it is recommended that Congress provide for open-ended appropriation authorization without fiscal year limitations and authorize guarantee of loans in an amount not to exceed \$500 million. To assure that the Federal funding commitment is adequate it is essential that the discontinuances of service are in fact achieved promptly. This legislative recommendation is discussed further in Part V.

TABLE 4-8

AMTRAK SOURCE AND APPLICATION OF FUNDS
(\$ in Millions)

	<u>FY 1972</u> <u>Actual</u>	<u>FY 1973</u> <u>Plan</u>	<u>FY 1974</u> <u>Plan</u>
<u>Cash at Beginning of Period</u>	\$ 12.2	\$ 3.2	\$ 3.9
<u>Source of Funds</u>			
Federal grants	77.6	107.8	93.0
Federal Government guaranteed loans	17.0	83.0	100.0
Railroad capital payments	65.0	65.1	54.7
TOTAL	159.6	255.9	247.7
<u>Application of Funds</u>			
Net cash loss from operations 1/	152.3	124.0	95.6 2/
Capital expenditures:			
Equipment and facilities	21.4	126.1	100.0
ROW and corridor improvements	--	--	50.0
Subtotal capital expenditures	21.4	126.1	150.0
Accrued Liabilities	(5.1)	5.1	
Repayment -- prior loan	--	--	4.7
TOTAL	168.8	255.2	250.3
<u>Cash at End of Period</u>	3.2	3.9	1.3

1/ The net cash loss from operation is derived as follows:

	<u>FY 1972</u>	<u>FY 1973</u>	<u>FY 1974</u>
Revenues	152.7	179.4	210.8
Less Costs	306.2	307.8	317.3
	153.5	128.4	106.5
Less Depreciation	1.2	4.4	10.9
Net cash loss from operations	152.3	124.0	95.6

2/ Assumes all route changes are effective July 1, 1973.

TABLE 4-9

AMTRAK CAPITAL EXPENDITURE AND COMMITMENTS
(\$ in Millions)

	<u>FY 1972</u>	<u>FY 1973</u>	<u>FY 1974</u>
<u>Passenger Cars</u>			
1. Purchase high performance self-propelled cars for corridor service	\$ - -	\$ 36.3	\$ 25.0
2. Purchase new conventional cars	- -	- -	\$ 15.0
3. Purchase used cars	16.3	3.0	- -
4. Refurbish used cars	<u>13.5</u>	<u>25.8</u>	<u>13.0</u>
SUBTOTAL	\$29.8	\$ 65.1	\$ 53.0
<u>Motive Power</u>			
1. Purchase new locomotives	- -	28.5	27.0
2. Purchase used locomotives	7.9	- -	- -
3. Overhaul used locomotives	<u>- -</u>	<u>4.0</u>	<u>4.0</u>
SUBTOTAL	7.9	32.5	31.0
<u>ROW Improvements</u>	0.2	0.5	50.0 <u>2/</u>
<u>Facility Improvements</u>	1.3	5.2	16.0
<u>Research & Development</u>	<u>- -</u>	<u>5.0</u>	<u>- -</u>
SUBTOTAL	1.5	10.7	66.0
<u>Total, Expenditures and commitments</u>	<u>\$39.2</u>	<u>\$108.3</u>	<u>\$150.0</u>

1/ Includes related facilities.

2/ ROW improvement funded from railroad capital payment of \$54.7M

PROCEDURAL RECOMMENDATIONS

Section 404(b)(3) of the Rail Passenger Service Act provides in part:

"If at any time after July 1, 1973, the Corporation determines that any train or trains in the basic system in whole or in part are not required by public convenience and necessity, or will impair the ability of the Corporation to adequately provide other services, such train or trains may be discontinued under the procedures of section 13a of the Interstate Commerce Act (49 U.S.C. 13a). . . ."

It further provides that if, within 30 days after the receipt of notice of the proposed discontinuance, State, regional or local agencies request continuation of the service and if, within 90 days thereafter they "agree to reimburse the Corporation for a reasonable portion of any losses associated with the continuation of service beyond the notice period", the Corporation may not discontinue.

Section 13a of the Interstate Commerce Act requires that Amtrak must give at least 30 days notice if it is seeking a discontinuance. During that period, the ICC may decide to institute an investigation of the proposed discontinuance. If an investigation is ordered, the ICC may delay the discontinuance for up to four months beyond the date when it "would otherwise have become effective", pending a hearing and decision. Since, in Amtrak's case, it would not have become effective for 90 days after a request by a government agency for continuation of the service, the ICC could delay it for seven months rather than four months, if such a request had been filed. If the Commission determines that the operation of the train is required by public convenience and necessity and will not unduly burden interstate or foreign commerce, it may require its continuance for up to one year, after which time Amtrak may again file for discontinuance.

In the case of a train operating wholly within a single state, Amtrak must seek permission to discontinue from an appropriate state authority before seeking permission to discontinue from the ICC. In such a case, the findings which the ICC must make in order to authorize discontinuance are slightly different and, while pendency of the state proceeding may not bar Amtrak

from seeking authority to discontinue from the ICC for more than 120 days, there is no time limit placed on the ICC's power to delay the discontinuance. Indeed, there can be no discontinuance in a case of this type until the ICC has authorized it.

Decisions of the Commission under Section 13a are reviewable by a three-judge District Court pursuant to Sections 1336, 1398, 2321-25 and 2284 of the Judicial Code (29 U.S.C.). Decisions of a three-judge District Court are reviewable by appeal in the Supreme Court pursuant to 28 U.S.C. Section 1253. This review process can add as much as two or three years to the period of time during which Amtrak must continue to provide an uneconomic low patronized service.

Recommendation: The discontinuance procedure should be changed to avoid continuing uneconomic service, through an extended period of litigation.

THE NATIONAL SYSTEM OF INTERSTATE AND DEFENSE HIGHWAYS STATUS OF IMPROVEMENT AS OF DECEMBER 31, 1972

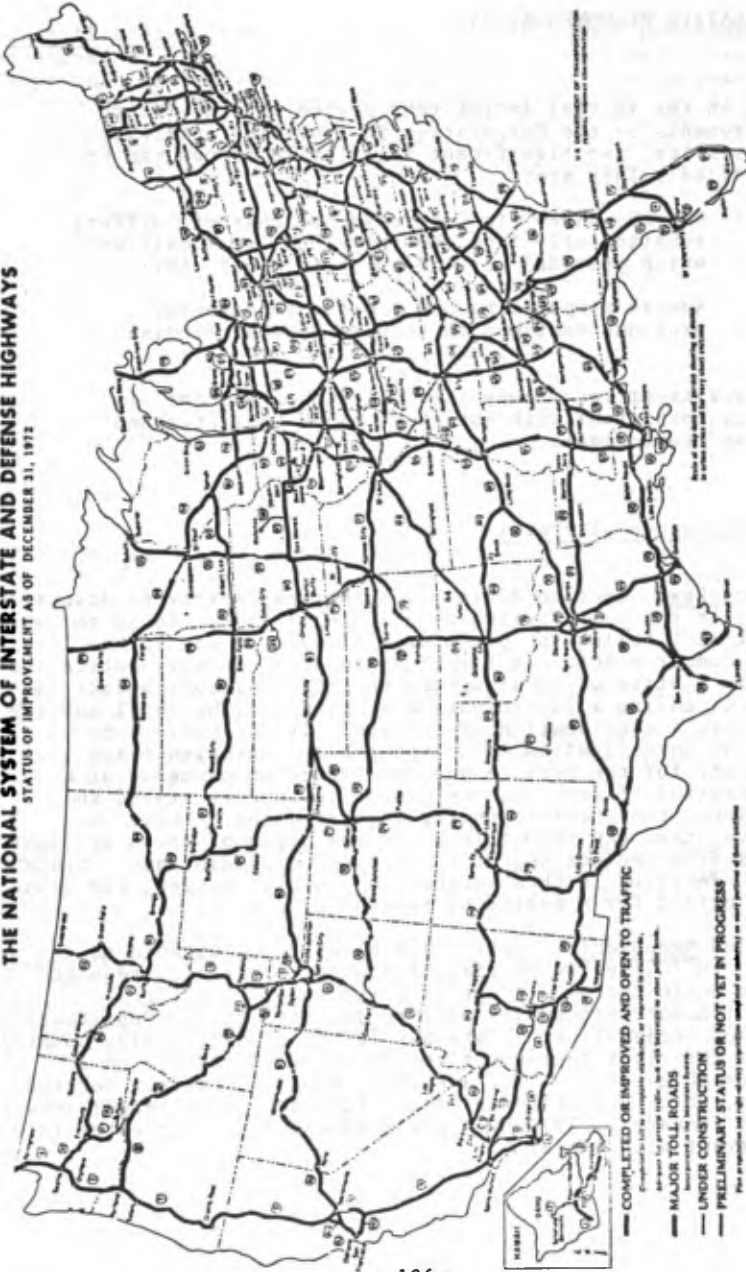


FIGURE 4-10

V. LEGISLATIVE RECOMMENDATIONS

Based on the initial Amtrak test period and the future requirements of the Corporation in providing intercity rail service, two significant legislative issues can be identified. They are:

- Amtrak, under its Congressional charter, differs substantially from the individual rail carriers which provided service prior to May 1, 1971.
- Amtrak's operating and capital improvement programs continue to require Federal funding.

The Department recommends the following amendments to the Act consistent with Amtrak's unique character and program requirements.

Discontinuance of Trains

Present Law: Section 404(b)(3) authorizes Amtrak to discontinue trains in the basic system after July 1, 1973. To do so, however, Amtrak must follow the procedures of section 13a of the Interstate Commerce Act. That section requires 30 days notice and permits a State or local agency to stay a discontinuance for 90 days pending a determination as to providing local subsidy to assure a continuation of service. If ICC decides to start an investigation as to the public convenience and necessity for the service and the burden on commerce of a continuation of service, the discontinuance is stayed an additional four months pending investigation. These successive stays can result in a minimum delay of seven or eight months from the posting of the notice to discontinue. Since an ICC decision is then subject to judicial review, the delay could extend for a period of two years or more.

Proposed Amendment: Section 404(b) would be amended to eliminate ICC review of discontinuances or service required by the Basic System. A specific recommendation for discontinuance procedures will be included in the Department's proposed legislation. State and local agencies would, however, retain the right to request continuation of service on a reimbursable basis. (The amendment would not affect Section 404(a), which prohibits any discontinuance of passenger service before January 1, 1975 by a railroad which did not enter into a contract with Amtrak.)

Justification: The Section 13a discontinuance procedure was designed to apply to a rail passenger service being provided by a private industry without subsidization by the Federal Government. In that context, determinations by ICC as to public convenience and necessity for the service and as to undue burden on commerce of a continuation of service (the ability of the carrier to internally subsidize) were appropriate. Amtrak, however, is not such a carrier. Its entire operation is reviewed annually by the Executive Branch and the Congress. It has only some long-term prospect of becoming a self-sustaining entity and is heavily subsidized by the Federal Government at the present time. The amount of the Federal subsidy is directly related to the operating losses of Amtrak, and these losses stem from providing uneconomic service. Therefore, the discontinuance procedure should be changed to avoid the necessity to perform an uneconomic service, through an extended period of litigation, at substantial cost to the general taxpayer. At the same time, Amtrak would have greater latitude to be innovative in providing its services.

Reducing ICC Jurisdiction Over Adequacy of Service

Present Law: Section 801 authorizes ICC to "prescribe such regulations as it considers necessary to provide safety and adequate service, equipment, and facilities for intercity rail passenger service."

Proposed Amendment: Section 801 would be amended to clarify the scope of ICC's jurisdiction and to exclude from its jurisdiction those aspects of "service, equipment and facilities" relating to scheduling, frequency of service, and consist of trains.

Justification: Section 801 is stated so broadly that it arguably gives ICC jurisdiction to regulate aspects of Amtrak's operations which are within the basic service characteristics established by the Secretary of Transportation, which should remain within the area of management judgment, or which are safety matters subject to regulation by the Secretary under the Federal Railroad Safety Act of 1970. In establishing the Basic System, the Secretary of Transportation prescribed the general characteristics of service for all routes within the Basic System. These service characteristics dealt

with schedules, frequency, connections, quality of equipment, through cars, sleeping cars, food service, lounge cars, and parlor cars. It is essential that the corporation maintain flexibility in these service areas if it is to achieve its statutory purpose of providing rail passenger service "employing innovative operating and marketing concepts so as to fully develop the potential of modern rail service".

ICC's regulation as to adequacy of service should be limited to the conditions under which the service is provided. Its jurisdiction should not extend to the adequacy of the quantity or type of service offered, or to railroad safety matters for which The Secretary of Transportation is responsible.

Appropriation and Loan Guarantee Authorizations

Present Law: Section 601 authorizes an aggregate of \$265 million in Federal grants for general corporate purposes, and \$2 million annually for the purpose of developing rail passenger service between the U.S. and Canada and the U.S. and Mexico. Of the \$265 million, 219.1 million has been appropriated. Thus, the remaining authorization is \$45.9 million.

Section 602 authorizes the Secretary to guarantee loans to Amtrak in an amount outstanding not to exceed \$200 million after June 30, 1973.

Proposed Amendment: Section 601 would be amended to provide open-ended appropriation authorization, i.e., appropriations would be authorized in an unlimited amount and without fiscal year limitations.

Section 602 would be amended to authorize the guarantee of loans in an amount outstanding not to exceed \$500 million.

While there is always some built-in uncertainty in estimating appropriation requirements and, therefore, authorization requirements, the problem is particularly troublesome in the case of Amtrak. Normally, Government activities can be limited to conform to the amount of the appropriation. In

the case of Amtrak, however, the Government is funding the difference between revenues and costs, both of which are subject to many contingencies which cannot always be accurately estimated. If an authorization were specified and it proved to be inadequate, it would be necessary not only to obtain a supplemental appropriation but, prior to that, a separate bill to increase the authorization.

The increase in loan guarantee authority is required to permit Amtrak to upgrade motive power, cars, maintenance facilities, and passenger terminals. Amtrak would utilize funds acquired under the loan guarantee authority to carry out its planned capital program for the next several years. A commitment level of \$100 million is anticipated for FY 1974. A comparable level is planned for the immediately succeeding fiscal years.

Changing the Date of Amtrak's Annual Report to Congress

Present Law: Section 308(b) requires the corporation to transmit to the President and to the Congress by January 15 of each year a comprehensive and detailed report of its operations, including legislative recommendations and the amount of financial assistance needed. Section 308(c) requires the Secretary and ICC to transmit an annual report to the President and to Congress by March 15 of each year.

Proposed Amendment: Section 308(b) would be amended to require the corporation to submit its annual report by March 15 of each year.

Rationale: Amtrak, ICC and DOT are required to submit legislative proposals to Congress in connection with their annual reports. In considering legislative action, it would be highly desirable for the Congress to have before it three contemporaneous reports.

BEFORE THE
INTERSTATE COMMERCE COMMISSION

GEORGE P. BAKER, RICHARD C. BOND,)	
AND JERVIS LANGDON, JR., TRUSTEES)	
OF THE PROPERTY OF PENN CENTRAL)	Finance Docket No. 27353
TRANSPORTATION COMPANY, DEBTOR-)	
COMPENSATION FOR PASSENGER SERVICE)	

VERIFIED STATEMENT OF JOHN W. INGRAM
ON BEHALF OF THE
DEPARTMENT OF TRANSPORTATION

John W. Barnum
General Counsel

Jerome E. Sharfman
Michael T. Haley
Attorneys

400 Seventh Street, S.W.
Washington, D. C. 20590

May 16, 1973

GEORGE P. BAKER, RICHARD C. BOND,)
AND JERVIS LANGDON, JR., TRUSTEES)
OF THE PROPERTY OF PENN CENTRAL) Finance Docket No. 27353
TRANSPORTATION COMPANY, DEBTOR-)
COMPENSATION FOR PASSENGER SERVICE)

My name is John W. Ingram. I am the Administrator of the Federal Railroad Administration within the United States Department of Transportation, a position which I have held since September 30, 1971. I was formerly the Vice-President of Marketing for the Illinois Central Railroad from 1966 to 1971; Director of Cost and Price Analysis at Southern Railway from 1961 to 1966; and Director of Profit Analysis for the New York Central Railroad from 1955-1961.

I received the degree of Bachelor of Science in Business Administration from Syracuse University in 1952 and the degree of Master of Science in Transportation Economics from the Columbia Graduate School of Business in 1955.

As Federal Railroad Administrator, I am anxious to see a strong intercity rail passenger system as well as a prospering private enterprise railroad system in the Northeast. Although those two objectives may seem to conflict in the instant case, I believe that the fixing of compensation which is truly just and reasonable, as § 402(a) of the Rail Passenger Service Act requires, will be consistent with the interests of both.

The compensation paid to the railroads by Amtrak under their original contract is intended to approximate the avoidable cost of the service rendered. On those lines where most of the traffic is freight traffic, thus making the passenger service merely incidental to freight service, it is both just and reasonable for the railroads to be compensated on an avoidable cost basis. Most of Amtrak's lines, indeed, most of Amtrak's lines on Penn Central, fit into this category. However, where a line carries more passenger trains than freight trains and its passenger traffic has the dominant role in determining the line's physical characteristics, it is essentially a passenger line and avoidable cost is therefore not an appropriate basis on which to compensate the railroad for passenger service.

Penn Central's Northeast Corridor is such a line.^{1/} Passenger

^{1/} By Northeast Corridor, I mean the main line between Washington and New York and the Shore Line route between New York and Boston, not the larger network so denominated by Penn Central on Figure 1 of its Exhibit 14.

service on it predominates over freight service and the multiple trackage that exists would not be justified to handle the freight traffic alone. But a substantial proportion of the passenger service is commuter service for which Amtrak has no responsibility. In the Corridor, it is my opinion that Penn Central is entitled to compensation from both Amtrak and those public agencies or governmental bodies interested in maintaining commuter service for the fully shared cost of providing each of those types of service.

Penn Central recognizes the distinction between the Corridor and the rest of its lines. Thus, in its Memorandum of Intent proposed to Amtrak late last year, it sought fully shared cost reimbursement only for the Corridor and found that the existing compensation for other services was "adequate". See pp. 2 and 3 of PC Exhibit 11. The Commission should not fail to do so, for to require compensation on a fully shared cost basis for the entire Amtrak system would create a financial crisis for Amtrak of such serious dimensions as either to endanger its continued existence as a nationwide system or to bring to a halt its program to improve service.

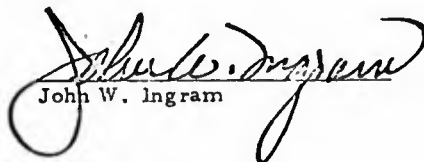
In order to determine Amtrak's fully shared costs in the Corridor, there will have to be an allocation of costs among freight, commuter and intercity services. This must be done carefully and objectively. The allocations made by any one party should not be accepted at face value. I think that the Commission should require the parties

to negotiate these allocations and the order should provide that, if they cannot agree by a certain date, the Commission will resolve the matter.

Penn Central also seeks a return on investment. I do not believe that this is justified, even in the Corridor. Penn Central was relieved of staggering intercity passenger losses when it joined Amtrak. Bargaining at arms length, it first agreed to be compensated on a basis of solely related costs plus 5% and subsequently on a basis in the Corridor only of solely related costs plus 15 percent. Penn Central now asks for fully shared costs and I believe, as I have stated, that that is justifiable in the Corridor. However, to permit it to earn a profit on its intercity passenger service, at a time when it loses money on even its freight service, would be to push the Federal Government's generosity in creating and subsidizing Amtrak to an extreme.

This is not to say that a return on investment in the Corridor would not be justifiable under any circumstances. The parties could negotiate payment of such a return by Amtrak in exchange for improved service by Penn Central. Paragraph 9 of Penn Central's rebuttal statement suggests that this might be possible. The virtue of such an arrangement would be that the improved service could be expected to generate additional revenues to cover the additional payment. Thus, both Penn Central and the public would benefit. Moreover, it might be appropriate for the parties to negotiate the payment of a return on new investments made with Amtrak's capital.

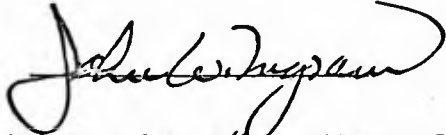
In conclusion, I think that one should remember the basic requirements of the public interest in this area. One of these is that a viable private enterprise rail system in the Northeast emerge from the present chaos. Such a system cannot be required to lose money on passenger service if it is to survive. At the same time, scrupulous fairness must be employed in the allocation of costs among various consumers of rail service. If a disproportionate amount of the cost burden is put on Amtrak, or if Amtrak is forced to provide Penn Central with earnings over and above fully shared costs, intercity passenger service may price itself out of either the market or the Federal budget or may have to be severely curtailed because of its high cost. Thus, the public interest in this case demands not solicitude for the plight of either of the protagonists but a fair, impartial and rational decision. I urge the Commission to make such a decision.



John W. Ingram

CITY OF WASHINGTON
DISTRICT OF COLUMBIA ss:

JOHN W. INGRAM, being duly sworn, deposes and says that he has read the foregoing statement, knows the contents thereof, and that the same are true as stated.



Subscribed and sworn to before me this 16th day of May, 1973.

James H. Smith
Notary public of District of Columbia, City of Washington
My Commission expires May 31, 1977

SERVICE DATE
MAY 25, 1973

ORDER

At a Session of the INTERSTATE COMMERCE COMMISSION, Division 3, held at its office in Washington, D. C., on 24th day of May, 1973.

Finance Docket No. 27353

GEORGE P. BAKER, RICHARD C. BOND, AND JERVIS LANGDON, JR.,
TRUSTEES OF THE PROPERTY OF PENN CENTRAL TRANSPORTATION
COMPANY, DEBTOR--COMPENSATION FOR PASSENGER SERVICE

Finance Docket No. 27353 (Sub-No. 1)

DETERMINATION OF COMPENSATION UNDER SECTION 402(a) OF THE
RAIL PASSENGER SERVICE ACT OF 1970

Upon consideration of the record in Finance Docket No. 27353 and the letter-petition of the Trustees of the Property of Penn Central Transportation Company, Debtor (Railroad), filed May 11, 1973, for the dismissal of its application filed April 19, 1973, and the response of the National Railroad Passenger Corporation (Amtrak), filed May 11, 1973, pursuant to our order of May 4, 1973; and the joint application of Amtrak and the Railroad filed May 11, 1973, pursuant to section 402(a) of the Rail Passenger Service Act (RPSA), to require the Railroad to provide services, and the use of tracks and facilities for Amtrak as set forth under the terms of the Amtrak Agreement of April 16, 1971, for such compensation as this Commission may fix as just and reasonable;

It appearing, That Amtrak in its response in Finance Docket No. 27353 contends that no intensive negotiations were entered into; that the Railroad stated in a letter to Amtrak dated September 4, 1972, that no application to the Commission was being considered; that cost studies are presently in progress but are not available for submission

F. D. No. 27353

at this time; and that such data will be submitted in the contract proceeding for which joint application has been made, which proceeding can be consolidated;

It further appearing, That in fulfillment of its obligation to assist the reorganization court in evaluating the facilities and operating contract under review by the court, this Commission requires the submission by all the parties in Finance Docket No. 27353 of all materials available so that this Commission may comply with the request of the court and submit its report, in the time required, to the court based on the best available record;

It further appearing, That section 402(a) of the RPSA provides that this Commission within ninety (90) days after the filing of the application by Amtrak, order the provision of services or the use of tracks or facilities of the railroad by Amtrak, on such terms and for such compensation as this Commission may fix as just and reasonable; that the issues in Finance Docket No. 27353 (Sub-No. 1) are sufficiently related to Finance Docket No. 27353 to be consolidated; and that good cause appearing therefor:

It is ordered, That the proceeding in Finance Docket No. 27353 (Sub-No. 1) be, and it is hereby, consolidated with the proceeding in Finance Docket No. 27353; and that the proceeding in Finance Docket No. 27353 (Sub-No. 1) be, and it is hereby, set for consideration under the modified procedure;

F. D. 27353

It is further ordered, That within 30 days from the date of service of this order Amtrak shall file a verified statement in F. D. 27353 (Sub-No. 1) in support of its position with respect to the determination of just and reasonable compensation for services.

It is further ordered, That within 45 days from the date of service of this order the Railroad shall file verified statements in F. D. 27353 (Sub-No. 1) in answer to the position presented by Amtrak.

It is further ordered, That within 55 days from the date of service of this order Amtrak shall file reply statements in F. D. 27353 (Sub-No. 1).

It is further ordered, That within 5 days from the date of service of this order Amtrak shall file in Finance Docket No. 27353 all data it has available to assist in the issuance of this Commission's advisory report to the Reorganization Court.

And it is further ordered, That all intervenors in F. D. 27353 are granted leave to intervene in F. D. 27353 (Sub-No. 1).

By the Commission, Division 3.

JOSEPH M. HARRINGTON,
Acting Secretary.

(SEAL)

NOTE: This decision is not a major Federal action significantly affecting the quality of the human environment within the meaning of the National Environmental Policy Act of 1969.

Mr. RUSH. Of course, I have been there, so it does not bother me as much.

Mr. KUYKENDALL. I still wouldn't enjoy it, mainly because the people who come to you complaining would have every justification for complaining.

Mr. RUSH. No, sir, I don't think so. I think, if I may get back to your earlier question because it is a matter of some concern to us, if Union Pacific were operating in the Northeast corridor, our position would be the same.

Mr. KUYKENDALL. If it were Union Pacific, I guarantee they wouldn't be operating in the hole.

Mr. RUSH. But I want to make the point on that that it is the pure logic of the situation and that logic does not extend to every railroad that is operating service for Amtrak, or other parts of Penn Central and indeed we are only talking about that portion that is in the corridor and not the other part of the Penn Central group.

Mr. KUYKENDALL. I would like sincerely to have someone from your office come to visit with me. This is a request I make personally, Mr. Chairman. I would like to be shown how one railroad, if everybody is being treated equally, could have 300 percent of the cost of running a passenger service as another railroad.

Mr. RUSH. All right, we will gladly undertake to do that.

Mr. KUYKENDALL. Thank you.

Mr. JARMAN. Mr. Shoup?

Mr. SHOUP. Thank you, Mr. Chairman. To continue along the line of the questions that Mr. Kuykendall has asked, I believe the \$93.5 million that is being requested by Amtrak envisions the existing consideration for charges?

Mr. RUSH. That is correct.

Mr. SHOUP. If your position prevails, what will this do to the \$93.5 million request?

Mr. RUSH. That is not covered at this point, to be very candid with you. There is some other litigation going on between Penn Central and Amtrak as to charges that they billed Amtrak and for which they have been paid which could result in a partial offset. At this point I would not be in a position to speculate where that figure would come out in terms of the increased charges to Amtrak.

It is conceivable that it could be a wash.

Mr. SHOUP. Were you present during Mr. Lewis' testimony?

Mr. RUSH. Yes, sir.

Mr. SHOUP. You heard him say they have been notified that other railroads are going to request further negotiations on their contracts?

Mr. RUSH. Yes, I did. Mr. Ailes testified to that fact, yes.

Mr. SHOUP. Then this could affect, or could materially affect the \$93.5 million?

Mr. RUSH. Well, any substantial increase in costs could. On the other issue, it is my understanding that to date Mr. Ailes, in testifying I guess on the Senate side, said it seems like a good idea to them. The railroads of course have always contended they were being underpaid by Amtrak, but to date we are not aware of any other railroad submitting a claim for this extra compensation.

Mr. SHOUP. But in view of all of these things you still stand by the \$93.5 million?

Mr. RUSH. No, we clearly indicated there is a contingency—if a substantial increase were to result from this litigation, the only increase at this point we would feel justified would be an increase for that portion of the Northeast corridor—additional funds might have to be sought.

Mr. SHOUP. I see we have a vote on the floor and, if I may, quickly, Mr. Chairman, ask two questions quickly.

I notice in your first page in relating to the progress, you use only May to November, 1972, versus 1971. Why not all 12 months? Why not year by year analysis rather than just a certain segment in comparing ridership when you say there is an 11 percent increase?

Mr. RUSH. Well, my surmise is those were the latest figures available.

Mr. SHOUP. You have no figures since November 1972?

Mr. RUSH. No, these would have come from the report. We could supply later figures on the increase.

Mr. SHOUP. I think it would be interesting, because I think the train runs the year around and not just May–November, and if we are going to compare ridership, it should be the entire year.

Mr. RUSH. We do have yearly figures in the report.

Mr. SHOUP. Do those yearly figures substantiate the 11 percent increase?

Mr. RUSH. Yes, they do.

[The following information was received for the record:]

AMTRAK RIDERSHIP FIGURES FOR MAY '72 TO MARCH '73

The Department's Amtrak report of March 15, 1973, used a 7 month period, May–November, to show ridership changes, since this was the most recent information available at the time the report was assembled. Data for 12 months could not be used because Amtrak began operations in May 1971, and thus May is the first month to begin yearly comparisons. A full year comparison will not be available until the April 1973 data is available which should be about the first of August 1973.

The most complete comparative data at this point is for 11 months of Amtrak's second year (May 1972–March 1973) to the 11 months earlier. The total passenger miles for the 1972–73 eleven months is 2,805,900,000, a 13% increase from the 1971–72 period.

Mr. SHOUP. A final question, Mr. Chairman. The money that was allocated for Amtrak, did it come under the, again we use these words I guess that are not to be used, by impoundment policies, was there any money withheld from Amtrak for expenses?

Mr. RUSH. There has been roughly \$10 million reserved.

Mr. DIXON. Impounded or reserve?

Mr. SHOUP. The \$10 million have not been available for expenditure by Amtrak, is that right?

Mr. RUSH. That is right.

Mr. SHOUP. Would this have made any difference in the figures that we see here in operating statements in a projected phase?

Mr. RUSH. No, they would not.

Mr. SHOUP. Mr. Rush, you know you don't want Congress to say you will spend it or you won't spend it, but still you ask for \$93.5 million, but you are saying, "We want the authority to spend \$93.5 if we see fit"?

Mr. RUSH. Yes, sir, we feel that is the amount that will be required.

Mr. SHOUP. All right, now, on last year's expenditures, you were short \$10 million from which it was requested, and you said it didn't cause any effect and now I am wondering about the \$93.5 million—

is there an extra \$10 million in there if we give you \$83.5, would it have any effect?

Mr. RUSH. It would throw the program off.

Mr. SHOUP. Why would it effect it if it didn't affect it last year?

Mr. RUSH. Because last year there were some economies of operating that were achievable and service on a couple of routes which it appeared were economically ill-advised, and was not started.

Mr. SHOUP. Then in the best interest of operating the Amtrak Corp. advised the administration that they did not want the \$10 million?

Mr. RUSH. I can't say that, but as the oversight agency we felt it would not hurt them and they have lived with it, if not happily. Nobody likes to have less money than they thought they were going to have.

Mr. SHOUP. No further questions.

Mr. JARMAN. There was news coverage of our recommendations by a member of the other body, news coverage carried in the morning paper and I thought you might have a comment to make on one part of what has been recommended as emergency measures for the ailing Penn Central Railroad. One part of it was: "Authorization by the Secretary of Transportation of a \$17.5 million loan to the Penn Central under Amtrak's legislation."

Mr. RUSH. Yes, sir. As you know, that was provided in the initial legislation and, as a matter of fact, it is largely for Penn Central because utilizing the buy-in arrangement to give Amtrak its initial capitalization, it seemed clear at least Penn Central couldn't afford to buy in and the whole approach would have gone by the boards.

That would be available, it was recommended, I guess the first time we saw anything about it was in Saturday's Star and frankly, we have not had an opportunity to go over those various proposals, although I would be happy to comment later.

Mr. JARMAN. Well, yes, that would be helpful to the committee, of course, as we continue the hearings on the northeast corridor as well as the Amtrak legislation before us.

The House is in the middle of a record vote and we appreciate very much your being with us to help make the record on this important subject.

Mr. RUSH. Thank you, Mr. Chairman.

Mr. JARMAN. The subcommittee will stand adjourned until 10 tomorrow morning in this same room.

[Whereupon, at 12:15 p.m., the subcommittee adjourned to reconvene at 10 a.m., Wednesday, June 13, 1973.]

FINANCIAL ASSISTANCE TO AMTRAK

WEDNESDAY, JUNE 13, 1973

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
SUBCOMMITTEE ON TRANSPORTATION AND AERONAUTICS,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to notice, in room 2322, Rayburn House Office Building, Hon. John Jarman (chairman) presiding.

Mr. JARMAN. The subcommittee will please be in order.

We will resume hearings on H.R. 8351, the bill to amend the Railroad Passenger Service Act of 1970, as amended.

We have three witnesses this morning. In the interest of allowing sufficient questioning of those testifying, the Chair requests the witness submit the written text of their remarks for the public record and then summarize orally for the committee.

We will begin our hearings, and the first witness today is Mr. Stephen Ailes, president of the Association of American Railroads, with offices here in Washington.

Mr. Ailes, it is good to have you.

STATEMENT OF STEPHEN AILES, PRESIDENT, ASSOCIATION OF AMERICAN RAILROADS; ACCOMPANIED BY WILLIAM M. MOLONEY, VICE PRESIDENT, LAW; AND I. SEWELL MORRIS, VICE PRESIDENT

Mr. AILES. Thank you very much, Mr. Chairman.

Mr. Chairman, if I may, I would like to be accompanied by Bill Moloney, vice president of law, and General Morris, who is a vice president of the association and assistant to me. General Morris spends a lot of his time working with the Amtrak people.

Mr. JARMAN. Yes, fine.

Mr. AILES. I do have a statement, and with your permission I will submit it for the record and then just summarize it briefly.

Mr. JARMAN. The committee will be glad to receive it.

Mr. AILES. I pointed out in the statement, that the railroad relationship with Amtrak is not, strictly speaking, an association matter, because not all of the class I railroads are engaged in operations that are important to Amtrak. However, the roads that do deal with Amtrak meet under our auspices and at our facilities, and General Morris, Bill Moloney, and I, in effect, represent the railroad-Amtrak group, really as a matter of convenience.

We are interested primarily in two sections of the proposed legislation, section 3 that deals with the right of Amtrak to acquire

railroad property, and section 5 that relates to the appropriation authorization for Amtrak.

On page 2 of my statement I point out that we do not oppose appropriate powers in Amtrak for the acquisition of needed railroad property. We do think that while the legislation in its current form deals with us differently from the general public, it has almost more difficult provisions relating to the railroads than with the general public. We have made some suggestions about the manner in which we think the legislation could be revised. It could meet all of Amtrak's problems, but which would protect the railroad's situation a little better.

That proposed revision appears as attachment A to my statement (see p. 204). In effect, it contains a few procedural steps that we think are a little more appropriate for the situation and we have added some safeguards.

The one thing that really worries the industry is that an inadequate review of what Amtrak is doing along this line could interfere with some proposed developments and dispositions of railroad property in an improper way. So what we have done is spell out the standards to cope with that problem.

While I am not going to spend a lot of time on this matter, we do think that it is important and do submit that proposed revision for the committee's consideration. Our legal people would be very happy to talk with the committee staff with respect to why we think those modifications are in order.

Over in the middle of page 4 of my statement I get to the matter of compensation and I point out there that the \$93 million estimate of Amtrak's needs is based on the assumption that the railroads are being adequately paid at the present time. The fact is that we have been totally unable to negotiate with Amtrak with respect to any kind of revision of our contract with them, mainly because of the budget bind that Amtrak is obviously in.

We go to some pains in this statement to point out to the committee that the railroads are, in our judgment, in fact subsidizing Amtrak on a rather substantial basis under the contract which we currently have with them.

At the middle of page 5, I point out that when the negotiation began with Amtrak, and the two gentlemen on either side of me were heavily involved in all of those negotiations, we began by taking the position that there is a normal way for putting a price on the kind of service that we are going to render for Amtrak and that way is the way in which the Commission establishes charges between one railroad and another.

It involves operating charges and maintenance and taxes and return on the investment that was made or is currently listed as the investment in the property involved. Amtrak was in fact underfunded at the outset and the board of directors of Amtrak, the incorporators who became the board of directors, were really in a very difficult position with regard to trying to get the operation off of the ground. At their urgent request and under some urging I must say from the three of us at this table, the railroad industry agreed to go to work for Amtrak on a basis of payment that really comes out pretty close to avoidable costs.

It was a solely related cost basis under ICC standards plus an override of 5 percent which was supposed to pick up some other costs that

while not solely related were still so clearly attributable to Amtrak that they probably could have been eliminated if the railroads had not been in the passenger business at all.

But we were very specific that we would make that agreement only with the understanding that it was, in effect, a sort of introductory proposition and that it would last 26 months, not in perpetuity. The agreement provided if, at the end of that time, there had not been a renegotiation of the arrangement between the railroads and Amtrak, then the matter could be referred to the Commission under the standards—

Is that just and reasonable language out of the statute, bill, or in the agreement or both?

Mr. MOLONEY. It is in section 402 of the statute and also in the agreement.

Mr. AILES. Well, the agreement was that we would go back to the Commission and ask them to apply that statute to determine what the basis of compensation for the railroad should be.

Now we point out on page 6 this fact.

Excuse me, it is worth pointing out that the industry had, under the statute, by entering into the first type of agreement with Amtrak, agreed to put up nearly \$200 million as a contribution to getting Amtrak underway and this money, of course, has been paid.

The Penn Central had a slightly different arrangement with Amtrak because the nature of the operation in the Northeast corridor is such that avoidable costs to them are nowhere near the 5 percent figure on top of the solely related figure that made sense for most of the rest of the railroads. But even so, they felt that very substantial additional compensation was needed as a result of their concentration in Amtrak business and that matter has been referred to the Commission both by Penn Central trustees and by the court.

The court has asked that the Commission report by June 25.

The other 11 participating railroads, when it became really quite clear that because of the budget situation there is just no basis for entering into any kind of negotiation or discussion with Amtrak about the broad subject, wrote to Amtrak last week saying that we felt we had to take the matter to the Commission also and asked them to join us in a submission of that issue to the Commission, which appears to be the procedure spelled out in the statute.

Now, as a matter of interest, the rough cut which we made on the finance of the situation, and I say "rough cut" because that is really what it is, showed that the current payments to the railroads of \$150 million fall about \$50 million short of compensating the railroads as they would be compensated if this arrangement with Amtrak was set up on the same basis as the arrangements are set up between railroads under the Interstate Commerce Act and the Commission's procedures.

On page 8, I make some comments about the quality-of-service problem. All of us are quite aware of this problem. We have, as this committee knows only too well, a problem with quality of our freight service this year, too. We carried 775 billion ton-miles of freight in the last year and we are absolutely at capacity. We have been operating at 8 percent above that level all of this year. We have had real problems with respect to the weather. The situation is difficult. Some of the railroads that are in financial difficulty have trouble keeping up the track.

I would like to point out in this connection, however, that in 1972 the industry as a whole expended no less than \$2 billion on maintenance of way and structures. The view that I frequently run into that the railroad system in this country is deteriorating into nothing—well, it is hard to match up that fact with a \$2 billion expenditure.

When I testified over in the Senate they were quite anxious that we talk about the Northeast Corridor some. There is some material in my statement. I have testified on two or three times in other connections before this committee so I won't go into this subject at this point.

We simply urge once again the Northeast Corridor is a passenger railroad primarily and that about 75 percent of the train miles are passenger train miles, and that in the last analysis the best solution to this problem clearly is for the Government, in one way or another, to take over that corridor as a passenger railroad.

On page 12 I have a conclusion that says that :

We are interested in doing all that we can to protect the Amtrak operation and to keep it going as we have a stake in it from a purely selfish point of view, 98 percent of the public thinking of the railroad industry as operating it and we want to do our part toward that end.

Mr. Chairman, that completes my statement.

[Testimony resumes on p. 205.]

[Mr. Ailes prepared statement and attachment follow:]

STATEMENT OF STEPHEN AILES, PRESIDENT, ASSOCIATION OF AMERICAN RAILROADS

My name is Stephen Ailes. I am President of the Association of American Railroads. (With me is William M. Moiney, Vice President, Law and I. Sewell Morris, a Vice President and Assistant to me.) The 75 Class I members of the Association of American Railroads represent 98 percent of railroad mileage and 97 percent of railroad revenues received in the United States, but only 12 of our members operate Amtrak trains. Thus, the railroad relationship with Amtrak is not strictly speaking an Association matter. However, the Amtrak roads meet under AAR auspices and General Morris and I represent them, informally, as a matter of convenience.

With your permission, I will discuss briefly certain aspects of the Amtrak operation that I understand the Subcommittee is interested in. I will be happy to respond to questions to the extent I can, and to arrange to supply additional information as needed.

We have reviewed H.R. 8351 dated June 4, 1973 to amend the Rail Passenger Service Act of 1970, as amended, to provide financial assistance to the National Railroad Passenger Corporation. We only have comments on two of the sections in the bill; namely, first, Section 3 of the proposed bill dealing with the acquisition of railroad property by Amtrak and second, Section 5 of the proposed bill relating to general appropriation authorizations for Amtrak.

Section 3 of the bill is designed to facilitate the acquisition by Amtrak of property owned by a railroad. It establishes what in effect is a special condemnation proceeding before the Interstate Commerce Commission. While one could cavil with the basis offered in justification of the proposal, the railroads do not oppose appropriate powers in Amtrak for the acquisition of needed property.

Section 3 of the bill would permit Amtrak to apply to the Interstate Commerce Commission, require the Commission to act within 120 days, and permit Amtrak to take title to and possession of the property prior to the payment of compensation.

There are no precedents for giving such "quick take" authority to other than government agencies and the Rail Passenger Service Act of 1970 expressly provides that Amtrak "will not be an agency or establishment of the United States Government." All railroads and other privately owned utilities are required to pay in advance of the taking the full compensation that is due to owner of property taken under the power of eminent domain. The reason why the United States government and some of its agencies have "quick take" power prior to the payment of compensation is that the full faith and credit of the United States stands behind the award of just and reasonable compensation. No such assurances exist with respect to Amtrak.

While it may be pointed out that under § 402 of the Rail Passenger Service Act of 1970 the Commission, in connection with the initial start-up of Amtrak and under emergency conditions, could and can require a railroad to make available its tracks and other facilities, there is no divestiture of the railroad and title is not conveyed to Amtrak, as would be required under the provisions of the bill.

The basis upon which the Commission would make its determination under the bill seems to embrace most of what might be termed essential factors. However, its language appears designed to place the entire burden of proof not upon Amtrak as the condemnor but upon the railroad as the property owner. This is contrary to any known concepts of the power of eminent domain.

I have attached to my statement a re-write of Section 3 of the bill. In my opinion this revision of Section 3 will give Amtrak all the power needed and at the same time will preserve fundamental rights of the railroad as the property owner. In brief terms, the amendment would provide for the Corporation to make a written offer to the railroad, and in the event agreement was not reached within a specified period of time, the Corporation could apply to the Commission for an order requiring conveyance of the property on such reasonable terms and conditions, including just and reasonable compensation, as the Commission might determine. The Commission would be empowered to enter such an order upon finding that the purposes sought to be achieved could not so be done under certain other provisions of the Act; that the Amtrak purpose could not be achieved by acquiring other property offered by the railroad or available to Amtrak under powers provided by another Section; and that conveyance to Amtrak by the railroad would not significantly impair the railroad's ability to perform its common carrier duties.

The procedure should assure that Amtrak's exercise of this sovereign power would not be misused; for instance, the condemnation of title to or leasehold interest in a part of a railroad building or facility the total dismantlement of which had been planned for by the railroad. Neither should such power be exercised to acquire a relatively small part of a parcel of land capable of or intended for redevelopment so as to destroy its value for such intended purposes. If the acquisition of any railroad property should impose upon the railroad added burdens of operating additional mileage or of relocating track and other facilities, the railroad obviously must be made whole against such consequences. Perhaps it is not so much the possibility of abuse with which I am concerned as it is that, either by full statutory language or significant legislative history, appropriate guidelines be identified for the Interstate Commerce Commission to follow in reaching its determinations pursuant to the authority that would be vested in it. It seems apparent that, under given circumstances, just and reasonable compensation should and must include more than simply the market value of property that Amtrak might acquire and should include additional costs or burdens to which the railroad may be put as the result of such acquisitions.

In the letter of the Secretary of Transportation to the Congress on April 25, 1973, to which the Administration attached a proposed bill to amend the Rail Passenger Service Act of 1970, the Secretary stated that Section 5 of the bill would amend Section 601 of the Act to provide general appropriation authorizations. He stated that the March 15 Report to the Congress estimated that a Federal grant of \$93 million would be required to underwrite Amtrak's losses from operations in FY 1974. That \$93 million estimate is based upon continuance of the present basis of compensation by Amtrak to participating railroads. Inasmuch as the railroads are being underpaid for their services and the use of their facilities by Amtrak, we believe that level of funding is inadequate.

Subsequent to the enactment of the Rail Passenger Service Act of 1970, twenty railroads, all of which are members of this Association, entered into a uniform Agreement with the National Railroad Passenger Corporation (hereinafter referred to as Amtrak) for the acquisition or use of certain equipment and facilities and for the furnishing of certain services. Fourteen of those roads became operating roads under that Agreement when Amtrak commenced its operations on May 1, 1971. As a result of consolidation of the Illinois Central Railroad, and the Gulf, Mobile and Ohio Railroad into the Illinois Central Gulf Railroad, and considering the Chessie System as one road, the number of operating railroads under the agreement today stands at twelve.

In the negotiations leading to execution of the uniform Agreement the railroads insisted that their basis of compensation should be the same as that generally accepted between railroads where one is using the property of or obtain-

ing services from the other. Such basis of compensation, which includes operating charges, maintenance (including properly includible depreciation), taxes, and return on investment has been approved or prescribed by the Interstate Commerce Commission under provisions of the Interstate Commerce Act. However, a lesser basis was provided in the original agreement between Amtrak and the railroads, at the specific request of the original Amtrak Board. The participating railroads agreed to accept for a preliminary two-year period, payment for services rendered on the basis of solely related costs, with minor modifications. This was basically an avoidable cost basis for the initial 26-month start-up period. It was agreed by the parties that the basis for compensation would be subject to redetermination, as stipulated in the Agreement, to become effective on July 1, 1973. This concession was made by those railroads to further the purposes of the Act and to permit Amtrak to undertake passenger service on a timely basis.

It is important to note that under the provisions of the Rail Passenger Service Act of 1970, as amended, participating railroads have made, and are continuing to make very substantial contributions to Amtrak. These payments, aggregating nearly 200 million dollars, were the price specified by the Act for relief for the railroads from the responsibility of rendering intercity rail passenger service. It is clear that the participating railroads, in complying fully with this provision of the Act, have been fully relieved of the obligation to render intercity passenger service and that no further financial obligation upon them was intended by the Congress.

The Penn Central, under the statute, has referred to the Interstate Commerce Commission, for decision, the matter of its compensation. Because of the crucial baring of that decision upon the reorganization of the Penn Central, Judge John P. Fullam, District Judge in the United States District Court for the Eastern District of Pennsylvania (the Reorganization Court) has directed the Commission to report by June 25, 1973, on the formulae the Commission finds appropriate to determine just and reasonable compensation for the Penn Central.

With respect to the other 11 participating roads, they along with the Penn Central, have been rendering services and have made available facilities to Amtrak since its inception over 24 months ago on terms which yield less than full costs. These eleven roads have sought to determine what such costs would be. Our rough figures indicate that payments to these 11 roads, (excluding the Penn Central) under the present interim basis, fall below full costs by approximately \$52 million on an annual basis, a figure which is equal to one-third of the \$150 million paid by Amtrak to these 11 carriers.

A breakdown of that estimate is as follows :

<i>Additional annual payments</i>		<i>Millions</i>
Time and use of manpower and facilities.....		\$6
Maintenance of way.....		13
Return (10 percent) on investment of property used by Amtrak.....		29
Proportionate share of ad valorem taxes.....		4
Total		52

While these figures are not precise, they do indicate that the carriers are providing a subsidy to Amtrak in a substantial amount. Some seek to justify this subsidy as a payment by the railroads for the privilege of terminating intercity passenger service. If it is, the railroads are paying twice, and they are not required to do so by the statute.

Amtrak pays market rates for services and facilities it obtains from all other sources. It seems to feel that the railroads owe a permanent duty of support. The participating railroads cannot be expected to continue to accept the present solely-related cost plus basis for long. Adjustment of the projected general appropriation authorization to reflect a proper compensation basis after July 1, 1973, is essential.

After futile efforts to renegotiate the basis of compensation as contemplated under the Amtrak contract, the railroads parties to such contracts have now requested that Amtrak join them in a petition to the Interstate Commerce Commission asking that the Commission make such redetermination, pursuant to § 402 of the Act. This course of action, calling for joint petition at the request of either party, is provided in Section 5.1 of the Amtrak Agreement.

Some comments about the quality of service provided by the railroads for Amtrak seems in order inasmuch as the matter has been discussed by Amtrak in relation to the compensation question.

Amtrak trains in all instances run over tracks also used in freight service. In most cases the number of freight trains greatly outnumber the passenger trains. It is the policy of all participating roads to give preference to Amtrak passenger trains, even at the cost of delay to freight service.

Nevertheless, this is a time when freight traffic is at the highest level in our history. Ton miles of freight exceed last year's record level by 8%.

The situation of extraordinary traffic density has been compounded by the weather. Unseasonable months of snows, thaws and freezes, followed by some of the worst floods in our history, have played havoc with large segments of track and terminals.

Poor earnings on the part of some of our roads have not permitted maintenance of track at the level we would like. Resultant large numbers of slow orders, of necessity, have been imposed as a matter of safety. These factors, coupled with other traffic problems inherent in railroad operations have combined to produce on-time performance records in some instances below the standards we would like to achieve. This situation is certainly not one resulting from a lack of desire or effort on the part of our industry.

Passenger transportation in the Northeast Corridor, particularly between Washington and Boston, must be recognized as a special problem and dealt with as such, and is of critical importance to Amtrak.

The portion of the Penn Central which extends from Washington, D.C. to New York City and on to Boston comprises some 450 route miles of high-quality, high-capacity railroad line. This is predominately a passenger railroad in the sense that more than two-thirds of the train miles are represented by commuter and intercity passenger trains. The most heavily patronized passenger service in the U.S. uses this route.

Penn Central currently operates approximately 44% of Amtrak's train miles and 65% of its trains. Much of this service is conducted in the Corridor.

Thus, the Corridor is extremely important to Amtrak and a vital element in the ability of the Penn Central to reorganize successfully. Yet the Corridor passenger services fell substantially short of providing adequate compensation to Penn Central in 1972.

A solution to this problem is regarded by the Trustees as one of the basic conditions for a successful reorganization of the Company. Continued operation of the Corridor by the Penn Central under present conditions substantially impairs the prospects for a successful reorganization of that company under Section 77 of the Bankruptcy Act. Indeed, I believe most consider a solution to the Corridor problem to be an essential part of any solution to the Northeastern problem generally and equally critical to Amtrak's major rail operation.

It is inconceivable that the Congress or the public would permit the abandonment of these passenger operations. On the contrary, there is a growing demand for more and better service, particularly in terms of the speed of intercity trains. Projections of the travel market by the Federal Department of Transportation point to a very substantial growth potential, and (quite apart from considerations of ecology and the conservation of energy resources) the prospect that improved passenger services could eventually be made economically self-supporting. To achieve this potential, however, will call for major expenditures for improvement of the plan, and this in turn leads to consideration of the acquisition of the Corridor right-of-way by government, either through purchase or long-term lease. Such a transaction could not only help resolve the problem of inadequate compensation for present service, but could also make much-needed funds available to the trustees (subject of course to the rights of creditors).

No other railroad has indicated an interest in acquiring this right-of-way, and in all circumstances, no such offer can be expected. On the other hand, the so-called Northeast Corridor Project developed by the Department of Transportation contemplates the purchase or lease of this property by the Federal Government or one of its agencies.

There seems to be a growing consensus in the railroad industry on the part of both management and labor that Federal acquisition of the Corridor would be a logical step, and if proceeded with immediately, could make a significant contribution to the prospects for a successful reorganization of Penn Central.

I think prompt and immediate steps should be taken to create a Northeast Corridor Corporation, wholly government owned, that would be authorized to acquire, by lease or purchase, the railroad facilities extending through the Northeast Corridor from Washington to Boston that are necessary to the operation of improved intercity and commuter rail passenger service. As I have already suggested, this is a natural and inevitable evolutionary development which must take

place independently of any resolution of the Penn Central bankruptcy or of the other problems of our Eastern District railroad system. All the Penn Central bankruptcy says about this problem is that, if it is to be done inevitably, it should be done now.

Because Amtrak is a quasi-public corporation, I believe this concept offers a way out to separate freight and passenger operations in the Corridor. The Corridor Corporation I suggest could enter into contractual relationships with Amtrak to provide it with trackage in the Corridor. Although engineering and cost analyses are not worked out, there is every reason to believe that through freight operations could be handled by parallel trackage without impairment of freight service to the shippers. This would release the Corridor for virtually exclusive use of rail passenger operations, so that experimentation and innovative techniques in modern rail passenger service could be tested. It would be a major contribution to Amtrak's greatest potential market.

The railroad industry is aware of the financial needs of Amtrak and of its appeal before the Congress for continued financial assistance. The industry is aware of the fact that Amtrak is still in the experimental stage to determine for the Congress and for the public whether the Corporation can meet all of the goals set forth by the Congress in the Act, including a "for profit"—"modern, efficient intercity rail passenger system." The industry considers itself a partner with Amtrak in that the roads involved in the experiment are bound together by joint agreement with Amtrak to provide specified equipment, services and facilities essential to its operations. It has been the universal policy of all of the participating roads to cooperate with Amtrak in every way possible and to live up to the fullest extent possible with the intent and provisions of the Contract. The industry recognizes also that despite its relief from responsibility for rail intercity passenger service, that in the public mind there remains a belief that railroads are still running the rail intercity passenger service. So from a strictly selfish standpoint, it is to the benefit of our industry that the Amtrak experiment should succeed. We want to do our part.

ATTACHMENT A

(d)(1) If the Corporation makes written offer to a railroad to purchase property (including interests in property) owned by the railroad and considered by the Corporation to be required for the construction of tracks or other facilities necessary to provide intercity rail passenger service and no agreement has been reached by the Corporation and such railroad within 30 days from the receipt of such written offer, the Corporation may apply to the Commission for an order establishing the need of the Corporation for the property in question and requiring the conveyance thereof by the railroad to the Corporation on such reasonable terms and conditions, including just and reasonable compensation, as the Commission may determine. If the Commission finds that—

(a) The purposes for which the Corporation seeks to acquire the property cannot be met by proceeding under the provisions of paragraphs (a), (b) or (c) of this section, and

(b) The obligations of the Corporation to provide modern, efficient and economical rail passenger service cannot be adequately met by the acquisition of alternative property (including interests in property) being offered for sale to the Corporation by the railroad, or available to the Corporation by the exercise of its authority under Section 305(c) of this Act, and

(c) Conveyance of the property to the Corporation would not significantly impair the railroad's ability to perform its obligations as a common carrier in a safe, efficient and economic manner, the need of the Corporation for the property shall be deemed to be established and the Commission shall order the conveyance of the property to the Corporation on such reasonable terms and conditions as it may prescribe, including just and reasonable compensation, which compensation shall be paid to the railroad at the time of conveyance of the property pursuant to the Commission's order.

(2) An application filed pursuant to the provisions of this subsection shall comply with such rules and regulations as may be prescribed by the Commission but shall in no event contain less than the following information:

A. A statement of the public use for which the property is taken.

B. A description of the property taken sufficient for the identification thereof.

C. A statement of the estate or interest in the property taken.

D. A plan showing the property taken.

E. A statement of the amount of money estimated by the Corporation to be just compensation for the property taken.

(3) The Corporation, the railroad or any other party having a substantial interest in the property may request, and in which event the Commission shall grant, oral hearing of any application filed under this subsection (d) and the decision of the Commission shall be based upon the evidence of record as a whole offered and received in such hearing.

(4) A final order of the Commission entered pursuant to the provisions of this subsection (d) shall be subject to court review as is any other order of said Commission and under procedures established by provisions of law applicable to review of such orders.

Mr. JARMAN. Well, we appreciate your touching on the highlights of your statement.

Let me ask this question. I certainly understand the approach under the law of going to the ICC for a hearing on this compensation question, so that all of the facts from Amtrak and from the railroads will be a matter of record and a basis for decision.

Now, you mentioned \$52 million, including the Penn Central—do I understand that would be \$84 million?

Mr. AILES. That figure changes, sir. I think it is closer to \$100 million. Maybe General Morris can explain.

Mr. MORRIS. They have a corridor operation and noncorridor. The last figure I heard was in the neighborhood of \$50 to \$60 million. The figures were not precise, but that was a ball park figure, Mr. Chairman.

Mr. AILES. We have not been directly involved in the Penn Central proceeding except as observers.

Mr. JARMAN. Let me ask this. With reference to the indicated yield or the terms with a yield of less full cost in the indicated figure of \$52 million for the 11 participating railroads, have you a more detailed breakdown for each of the railroads as to what they indicated is the differential?

Mr. AILES. Yes, sir, we can submit that sort of information. That is a very rough figure. I pointed out in my statement that fact. What we did was to go back about February of last year and before that get the railroad accountants together who work for the Amtrak railroads and say, "Let's take a look at what this operation would be priced at really if it were an agreement between railroads under the usual methods."

We need such an analysis and we put that analysis together and sent it to Amtrak purely as a basis for initiation of discussions. There is nothing really magic about those numbers at all. In fact, the rate of return, as we show in the statement, is 10 percent. The rate of the return of Penn Central when they made their calculation for the Commission is 7 percent. You know that represents a substantial amount of money, but I was really interested in getting some indication of the degree of our current admittedly low level of compensation falls below what would be the normal operating basis.

Mr. JARMAN. I understand that position, but of course in an ICC determination, I am sure it would be necessary to come forward with the figures and as they develop it would be helpful to the committee in its understandings of Amtrak's operation and its position with the railroads.

Mr. AILES. We would be glad to submit those to the committee.

[The following information was received for the record:]

BREAKDOWN BY RAILROAD OF THE ADDITIONAL ANNUAL PAYMENTS

The following figures are on the basis of calculations submitted by the 11 participating railroads (excluding the Penn Central) to Amtrak for discussion purposes only. These figures are based on 1972 billings.

	(In millions)
Burlington Northern.....	12.7
Chesapeake & Ohio/Baltimore & Ohio.....	2.8
Illinois Central.....	4.1
Louisville & Nashville.....	0.8
Chicago, Milwaukee, St. Paul & Pacific Railroad.....	2.6
Missouri Pacific.....	1.1
Richmond, Fredericksburg & Potomac.....	1.1
Atchison Topeka & Santa Fe.....	11.7
Seaboard Coast Line.....	9.7
Southern Pacific.....	4.8
Union Pacific.....	0.6
Total	52.0

Mr. JARMAN. The problem a lot of us have is, of course, until Amtrak really begins producing and narrowing the loss gap and showing real changes and progress in passenger travel, we face a difficult situation in Congress in justifying and in passing the legislation that calls for the money.

Mr. AILES. Absolutely.

Mr. JARMAN. So any information you can give us will be helpful.

Mr. AILES. I would like to say again we are very aware of that problem and it is really in that spirit that we sat down with them 2 years ago and said that we were perfectly prepared to cost this operation out on a really thin basis, just because this is going to be a very hard thing to get underway. Our problem is we simply don't want to be locked into a situation where the railroads subsidize a passenger operation in perpetuity.

It was a great day when this legislation had passed and tremendous losses in the industry were brought to an end. Everybody in the industry is concerned, on the long-range basis, lest we get somehow or other put back into that position.

Mr. JARMAN. I certainly understand and appreciate your position.

Mr. Dingell?

Mr. DINGELL. With permission of the chair, I would like to defer my questions.

Mr. JARMAN. Mr. Harvey.

Mr. HARVEY. I would like to defer mine, too. I apologize for being late this morning.

Mr. JARMAN. Mr. Shoup.

Mr. SHOUP. Thank you, Mr. Chairman.

Mr. Ailes, does AAR now still support the Amtrak concept?

Mr. AILES. Yes, sir.

Mr. SHOUP. Speaking for the railroads whom you represent, you would like to see a change in the contract?

Mr. AILES. Yes, sir, as I said a minute ago the one thing that concerns us is that we don't want to see the railroads permanently left with a tremendous loss that comes out of the passenger business, that is all.

Mr. SHOUP. I can understand that. You speak of the same formula that is used between railroads and you want to apply that in your rela-

tions with Amtrak and is this formula, are you referring to the fee splitting, if I may use those words?

Mr. AILES. No, sir.

Mr. SHOUP. That is as a car across several lines?

Mr. AILES. No, sir, that is a little different. Every now and then the Commission requires one railroad to render service for, or to permit another railroad to use its territory or to use its tracks.

Mr. SHOUP. Would this be referring to an example of the Milwaukee receiving permission to service Louisville?

Mr. AILES. Correct. The point about it is, you see, there is a legal basis for all of this because there are instances where the Commission has directed one railroad to make these facilities available to another. There is a legal question about what is the nature of the compensation that is required when you have this sort of public taking of the property. This is such a direct parallel to the Amtrak type of situation that it just seems to us perfectly logical for that basis to be the ultimate basis under which Amtrak compensates the railroads for what they do.

Mr. SHOUP. I don't think that anyone particularly wants the railroads to lose money, but I think we have to face the realistic fact that we are not out of the woods on Amtrak.

Mr. AILES. Correct.

Mr. SHOUP. The \$52 million you referred to, do you consider this as a loss to those 11 railroads, or is it a profit item?

Mr. AILES. It is both. In other words, the item includes some returns on investment. It is itemized on a page in my statement.

Mr. SHOUP. Yes, I realize that. The \$6 million on time and use of manpower and facilities. I understood the \$150 million took care of that and I thought your problem was on such things as return on investment and other such things.

Mr. AILES. If you look on page 7, in the first place we charge Amtrak not one dime for maintenance of way. There is some maintenance of way cost increase that we incur because of the use of facilities by Amtrak trains. They pay nothing on taxes.

We have an item, time and use of manpower and facilities, which represents other costs we incur for which we are not reimbursed. We are paid now on the basis of items that we would clearly be able to cut off tomorrow if we stopped doing the work for Amtrak.

There are other costs incurred which it would take longer to get rid of and therefore are not called avoidable costs but which are still incurred and these are the ones that we think, in a normal business relationship, we would be reimbursed for.

Mr. DINGELL. Mr. Chairman, will the gentleman from Montana yield?

Mr. SHOUP. I yield.

Mr. DINGELL. Mr. Ailes, I have a rather clear recollection of our passage and enactment of Amtrak, as I am sure you remember.

Mr. AILES. Right

Mr. DINGELL. We went into this in considerable detail. At that time it was our impression you were going to get compensation for avoidable costs and that is all you were going to get. Now, I have the distinct impression the railroads are now saying something different than originally required by law.

It occurs to me that maybe you ought to give this comment. Would you prefer to see the Rail Passenger Service Corporation legislation repealed and just have the duty to continue providing the same passenger service reimposed upon the railroads?

Mr. AILES. Mr. Dingell, I think there would be a severe constitutional question really about whether or not you could order the restoration of the passenger service that was conducted prior to Amtrak.

Mr. DINGELL. Well, you have, and I am transgressing on the time of my friend from Montana, but, on the one hand, though, you sought one thing and you have gotten it and now ask for a different relief here. I am quoting Mr. Goodfellow, your predecessor as president of AAR, accompanied by Mr. Molloney as general counsel, when he testified in favor of passage of H.R. 11461, which later became the Railroad Passenger Service Act of 1970: "with an avoidable cost deficit in excess of \$200 million in inter-city passenger train service, the railroads can ill-afford being made to again gamble, that has under a year moratorium, et cetera."

They supported it and the railroads at that time were keenly aware of the costs and compensation that was going to be made to them in connection with their participation in the service.

Now, Mr. Pickle, later, in his questioning said, "It that the same yardstick they used?" Mr. Goodfellow agreed. Here is Mr. Goodfellow's comments again, "We haven't asked for overhead and not profit; we just want to be made whole, that is all, running these things because we finally decided under ICC we are not going to get these trains off even if they are uneconomical."

In my view, at least the hearing record makes it very clear you folks were keenly aware of the fact all you were going to get for picking up the costs of running these inter-city tracks were avoidable costs. That is all you were going to get. The record, in my view at least, is very clear.

Mr. AILES. I wonder if we can present the rest of the record.

Mr. DINGELL. You certainly may. I want a factual record, but I think if you read it as a whole you will come to the same conclusion I came to, that is all you asked for at that time was avoidable costs, nothing more.

Mr. AILES. There was a bill which in the Senate was S. 2750 and which was strongly supported by the railroad industry as a way of solving the problem. That was the bill that said that Congress would subsidize losing operations. I mean if a train was a loser and the railroad was required to continue to run it, that Congress then would pay the deficit.

That deficit which would be measured in terms of avoidable costs—sorry, and overhead. Bill Moloney tells me. These quotes tended to go back and forth from the proposal that the railroad industry was supporting and the Amtrak proposal, which came along, you know, not originally from the railroads at all.

Mr. DINGELL. I am aware of that. The fact of the matter is, in the light of that testimony, it occurs to me that the record with regard to the original matter was very clear, we were discussing avoidable costs and not additional compensation or cost of service or anything else, just simply avoidable costs.

In exchange for that particular compensation and getting rid of the burden of passenger service which railroads during my 17 years or 18 years in this committee continuously complained about, you folks agreed to provide the service on the basis of avoidable costs.

Mr. AILES. I would be foolish to try to comment on a record I have not seen.

Mr. DINGELL. In fairness to you I am sure the Chair will allow you an opportunity to make an appropriate response.

Mr. AILES. We have heard the contention, particularly from the legal staff at Amtrak, that the legislative history supports the proposition that the Congress intended avoidance cost as a test and our legal staff strongly disagrees with that conclusion.

What I would like to do is to submit a memorandum for the record.

Mr. DINGELL. I have no objection to it. I am just citing the recollection of one member of the committee which was quite active in drafting and handling of the legislation and I think the record ought to be clear on that point.

Mr. AILES. I would also like to submit at the same time a memorandum in support of the issue of constitutional law as to whether or not Congress really can require the operation of a service of this character at less than a basis of compensation that covers all of the costs involved. That is really directly related to this same proposition and is relevant on this point.

[The following letter and attachment were received for the record:]

ASSOCIATION OF AMERICAN RAILROADS,
Washington, D.C., June 18, 1973.

Hon. JOHN JARMAN,
*Chairman, Transportation and Aeronautics Subcommittee,
Interstate and Foreign Commerce Committee,
House of Representatives,
Washington, D.C.*

DEAR MR. CHAIRMAN: At the hearing this morning on H.R. 8351 Mr. Dingell quoted certain excerpts from testimony given by Mr. T. M. Goodfellow, past President of the Association of American Railroads, in hearings held in 1969. I stated my understanding that such testimony was not given in context of the present Amtrak statute but rather in support of a quite different bill then proposed by the AAR. The attached memorandum makes clear that such was the case and points out substantial differences between the legislation then advocated by Mr. Goodfellow and the present Amtrak statute.

During the course of my testimony I pointed out that counsel for the railroads sharply disagree with Amtrak's contention that the statute requires an "avoidable cost" measurement of the compensation to be paid the railroads for services performed and for the use of their properties and facilities. I stated we would submit a memorandum dealing with this issue. Because of time constraints, there is attached an excerpt from a brief filed on behalf of the Penn Central Trustees in the case pending before the Interstate Commerce Commission (Finance Docket No. 27353) in which the Commission is asked to determine the basis of compensation to be paid Penn Central by Amtrak.

Any revision of the Amtrak legislation to limit compensation to railroads to avoidable costs may help the Amtrak budget problem, but it will most assuredly result in termination of passenger service in the Northeast Corridor and may very well put to litigation the issue of whether the government can unilaterally revise the contracts with the railroads in this major degree.

Sincerely yours,

STEPHEN AILES,
President and Chief Executive Officer.

JUNE 13, 1973.

The testimony of Mr. T. M. Goodfellow, past President of the Association of American Railroads, referred to by Mr. Dingell in the hearing this morning was addressed to H.R. 14661, a bill identical with S. 2750. Both of these bills were proposed by the AAR and provided that where the Interstate Commerce Commission directed a railroad to continue operation of a passenger train which that railroad had noticed for discontinuance, the railroad would be paid an amount by which the cost of operating the train exceeded the direct revenues thereof. The term "cost" was defined as meaning "those expenditures made or incurred in or attributable to the operation of such train or ferry plus an appropriate allocation of common expenses and overheads." Under this plan, the railroads would have continued to conduct the passenger business and retained any net receipts from well-patronized trains, and the government would have subsidized losing trains to the degree implied in the definition of cost just quoted.

Mr. Goodfellow advocated this cost standard (p. 455). Later he erroneously stated (p. 474), "We haven't asked for overhead," in view of the fact that we clearly had. Nowhere did he advocate "avoidable cost" as the standard, even for this bill. His answer to Mr. Pickle's question (p. 469) referred to an avoidable cost study made by the Commission—not to any proposed bill.

This hearing, held on November 19, 1969, did not involve the Amtrak proposal at all. Mr. Goodfellow (p. 454) urged the enactment of H.R. 14661, the bill referred to above.

Later, the Amtrak statute was enacted by the Senate as S. 3706 and was sent to the House of Representatives and made the subject of hearings in June, 1970. That bill provided for a totally different solution to the passenger problem. It contemplated operation of passenger service by Amtrak contracting with the railroads, using railroad services and facilities. Section 402 provided that the railroads would receive *just and reasonable compensation*, to be fixed by the Commission if not agreed upon between the railroad and Amtrak.

The excerpts of testimony referred to by Mr. Dingell this morning were not made with respect to the Amtrak legislation.

The House passed S. 3706 as H.R. 17849 with certain amendments not of significance to the point here discussed.

Thus there was no acceptance by the railroad industry spokesman of the concept of avoidable costs at any time.

[Excerpts from brief filed on behalf of Penn Central Trustees before the Interstate Commerce Commission (Finance Docket No. 27353)]

Pages 3-5

4. The Association (National Association of Railroad Passengers) has advanced the proposition that the Rail Passenger Act of 1970 requires that avoidable or incremental costs be the ceiling for just and reasonable compensation. The idea starts with the premise that "avoidable losses" are the explicit statutory standard proposed for railroad "buy-in" payments to Amtrak as consideration for being relieved of intercity passenger responsibility. The same standard governs local governmental contributions for continued service. From this the Association would have it follow that avoidable costs must be the standard for compensation to Penn Central for providing services and facilities. Unfortunately for the argument, the statute is to the contrary. In defining what Amtrak is to pay for services and facilities Congress used "just and reasonable"—conventional eminent domain terms. The contrast with the avoidable loss criteria spelled out in the statute for other purposes can only mean that compensation was *not* to be limited by the same criteria.

Examination of the legislative history reinforces this conclusion. The original Senate bill S. 3706, and Commerce Committee Report No. 91-765, both dated April 9, 1970, contemplated subsidies to the railroads without the quid pro quo of initial contributions and specifically limited compensation to "a just and reasonable sum but not to exceed the avoidable costs, less revenues, attributable to the operation of any passenger train or trains. . . [I]n no event shall such computation include any item of expense which would not be saved were such railroad and all other railroads to withdraw entirely from passenger service." See Section 202. However, the bill as passed May 7, 1970 and referred to the House, as well as the final law enacted by Congress, (1) required railroads wishing to benefit from the law to make substantial payments in order to do so, (2) eliminated any reference to avoidable cost in the determination of just and reasonable compensation, and (3) introduced the concept of compensation for the use

of tracks or facilities as well as compensation for services. The legislative history thus strongly reinforces the conclusion that the failure of the statute to refer to avoidable cost in connection with compensation was not inadvertent but was an important part of the legislative bargain.

Mr. DINGELL. You want to remember and I am still intruding on the time of my good friend from Montana, but you have been familiar for long years under ICC. You are compelled to provide certain public services and to do so at even less than fair compensation and at fair compensation or at a loss. This is one of the things that goes with being a regulated utility and being that you make your profit out of the overall operations, as opposed to profit out of any particular part or all particular parts of your operation.

In this situation, the railroads were exempt from passenger service and only compelled to remain in that service if they chose, and very few did so choose, with the result that those that did not choose got out and passed the burden of providing such service to Amtrak which we liberally subsidized through the Federal Treasury, as I am sure you are aware.

Mr. AILES. So have we almost to a greater extent than the Federal Government, and you must remember that the \$200 million payment was the price of getting out.

Mr. DINGELL. I am aware that was paid by the railroads and the railroads supported the legislation. It strikes me it would ill behoove the railroads to surge forward to demand a test of constitutionality of legislation which they supported with visible enthusiasm.

Mr. AILES. My problem is not with the constitutionality of the legislation but of the interpretation which you wish to put on it.

Mr. DINGELL. You and I differ on interpretation, but I think the record of the hearing and the record and intent of this committee at least as I enunciated is rather clear to me. Again, we might have differences but I sat here during that time and I want you to know what my feelings were with regard to where we are going.

I thank my friend from Montana.

Mr. SHOUR. Thank you.

I was somewhat disturbed we got involved in talking about the Constitution would not allow the Government to force the railroads to do this or that. I get the feeling that we are taking the fifth amendment or something.

Mr. AILES. I am just trying to make an argument, sir, in terms of what I think is the basic and central point. We are far, far away from getting ready to go to court on this subject of Amtrak legislation, and as I say—and I would just like to keep saying—I think we have demonstrated our efforts to help get this operation off of the ground by the agreement we voluntarily made with Amtrak in the first place 2 years ago.

Mr. SHOUR. I am amused you say voluntarily. In speaking with presidents of several lines, they said, "they were volunteering with their arms behind their backs."

Mr. AILES. Did they say who had their arms behind their backs?

Mr. SHOUR. I don't know if the Government did. They were forced into it, yes, to accept it.

Mr. AILES. Well, a lot of people thought, a lot of people who worked on this problem thought it was the proper thing for the industry to do and a highly desirable thing for the industry to do from all points of view, and they did it really on that basis.

Mr. SHOUP. Mr. Ailes, is Penn Central a member of your organization?

Mr. AILES. Yes, sir.

Mr. SHOUP. Possibly I misunderstood you and, if I did, please correct me, but you stated in that in the proposal or request by Penn Central to renegotiate the contract with Amtrak you were merely an observer? Was this your statement?

Mr. AILES. Basically. The Amtrak-Penn Central situation is quite different from all of the others.

Mr. SHOUP. But you are merely an observer?

Mr. AILES. Yes, I am not counsel in that proceeding. They send me the papers that they submit out of courtesy. We follow it with interest, but I am not directly involved in that proceeding.

Mr. SHOUP. I am curious why you are not, and yet you are representing the 11 additional or definitely carrying their banner into battle.

Mr. AILES. Well, as I tried to say in the first paragraph of the statement, in effect we do work as the representatives of the remaining 11 in the relationship with Amtrak, in the negotiations with them and discussions with them and so on. We have a committee of counsel of the other 11 that come to meet with General Morris and Bill Moloney and they handle it together. We are formally authorized to intervene in the Penn Central proceeding for the other 11 for the purpose of making an argument on the avoidable cost issue and we will formally represent the other 11 in the proceeding before the Commission, but the Penn Central problem is different than the others and the Penn Central goes it alone.

Mr. SHOUP. Does this have effect on AAR and your responsibilities on carowners and that sort of thing?

Mr. AILES. No, sir.

Mr. SHOUP. You don't exempt Penn Central from its effectiveness.

Mr. AILES. No.

Mr. SHOUP. It is only in this particular case?

Mr. AILES. Yes. The time spent on Amtrak, as far as AAR is concerned, can't be 2 percent of the time of the Association, because our major problem as you know is with freight. Bill Moore is on our board and regularly attends meetings and Penn Central people are on our committees all over the place. Penn Central has agreed to furnish full information to our new computer system with respect to cars and all of that sort of thing.

Mr. SHOUP. Being president of AAR, your statement represents AAR, is that correct?

Mr. AILES. No, sir.

Mr. SHOUP. Your statement is strictly as a personal statement as president?

Mr. AILES. No, sir. What I am trying to do here is just a matter of convenience to the committee, is to come here and appear on behalf of the other 11 railroads.

Mr. SHOUP. Merely representing the other 11?

Mr. AILES. Yes, sir. We state that as a matter of convenience we do this regularly for them and are here by invitation, but I want to make it clear that the AAR, or a great percentage of the membership have nothing to do with Amtrak. We have 70 class I members but only 12

have something to do with Amtrak, and I want to make it clear I really come on behalf of the 11 who do, and not Penn Central, because their problem is so completely different than that of the other railroads.

Mr. SHOUR. I have no further questions, Mr. Chairman.

Mr. JARMAN. Mr. Dingell.

Mr. DINGELL. Mr. Chairman, I would like to hear Mr. Ailes' comments on parts of the hearings before us repeated with regard to the provision in the first part of the bill relating to the property taking. I read your statement with some care, but I don't find reference to the particular property that Amtrak would be taking. Why are we giving them condemnation authority here?

Mr. AILES. Are you referring now to nonrailroad property or to why should Amtrak have the power to condemn nonrailroad property?

Mr. DINGELL. It says, "when the corporation cannot acquire by contract and is unable to agree with the owner of property as to compensation to be paid for right-of-way, land, or other property, et cetera, and so forth and so on, may acquire the same by exercise of eminent domain to the district court," and this refers to Amtrak and I am curious what is the issue that brings that question before us?

Mr. AILES. Sir, I can't answer that question. That is Amtrak's problem really. Amtrak obviously has felt there were instances in which they were going to have to own property in connection with their operation.

Mr. DINGELL. Does it refer to terminals, stations, tracks, yards?

Mr. AILES. I don't know.

Mr. DINGELL. Communication equipment?

My question, reducing it simply, is, what is the controversy between the railroads and Amtrak that brings this matter to the fore?

Mr. AILES. None. There are two different things this bill does. One of them is to give Amtrak the power by eminent domain to take land from the general public. The other is to set up a procedure under which they take land from the railroads. Insofar as I know, there is no existing controversy between Amtrak and a railroad over a piece of property, but Amtrak seeks this power as far as the railroads are concerned. We say that does not give us any problem. We can recognize there might be a situation where they would want to put a station at a certain place and Amtrak, as you know, has ambition to engage in more and more of these operations all along.

We are all for it to the extent it does not interfere with our basic railroad operation. But we say that there is an interesting legal issue about whether you can give condemnation power to this entity to condemn land that itself was obtained by condemnation.

The doctrine of prior use is involved and this is recognized by the draftsman who set up the difference procedures.

We say, fine, we are not opposed to that, let's just put some safeguards in it. Those are what appear in the revision in attachment A to my statement and insofar as I know I have no clue as to a piece of property currently in dispute between Amtrak and any railroad.

Mr. DINGELL. I am curious to know.

Mr. MORRIS. Mr. Lewis yesterday in testimony was referring to the possibility when he wanted to put in a new station, suburban station, that kind of thing. That is my recollection of his statement with regard to this matter. They didn't want a long drawn out proceeding, arguments, fixing of compensation, and so forth. That was the ex-

ample he gave yesterday. I don't know of any specific dispute and none has been called to our attention.

Mr. DINGELL. Well, thank you, gentlemen.

Mr. JARMAN. Mr. Harvey.

Mr. HARVEY. I have no questions, Mr. Chairman.

Mr. JARMAN. Mr. Skubitz.

Mr. SKUBITZ. No questions.

Mr. JARMAN. We thank you very much for your testimony this morning.

Our next witness is Mr. Robert Thompson, president of the Vermont Transit Co., Burlington, Vt., representing the National Association of Motor Bus Owners with offices here in Washington.

Mr. Thompson, we are glad to have you with us and the subcommittee will be glad to receive your statement in full for the record, and we will listen attentively to the highlights.

STATEMENT OF ROBERT F. THOMPSON, PRESIDENT, VERMONT TRANSIT CO., BURLINGTON, VT., AND IN BEHALF OF THE NATIONAL ASSOCIATION OF MOTOR BUS OWNERS (NAMBO)

Mr. THOMPSON. I will be pleased to summarize my statement, Mr. Chairman.

I am here on behalf of the National Association of Motor Bus Owners of which I have been a director for some 20 years. I am a member of its executive committee, and a member of its legislative committee.

My lifetime job has been with a modest-sized bus line named Vermont Transit in northern New England. I joined it in 1934, have been its president since 1947 and am its controlling stockholder. It is a family enterprise. It is small, with a gross revenue of about \$5 million a year and some 220 employees, but it is the principal passenger carrier—and I now refer to all modes—in the entire State of Vermont, a major section of the State of New Hampshire and a sizable portion of the State of Massachusetts. We also operate into Albany, N.Y., and we cover generally the territory north of a line drawn from Boston to Albany, except that we do not have extensive operations in Maine.

Neither NAMBO nor I take any position with respect to most of the proposed amendments that are before you today. We take no position with respect to the three that are summarized in the fourth paragraph of my statement. With regard to the funding provision, we take no position, provided that the act is amended to prevent the continued operation for an indefinite period of time of hopelessly unprofitable intercity passenger trains.

As I recall the statement of Secretary Volpe to this committee at the time the bill creating Amtrak was under consideration he said and I quote, "With sufficient capitalization a new quasi-public corporation, whose only purpose is to maintain and improve rail passenger service over a more economically sensible system, has a good chance of becoming a sound and successful enterprise."

In fact, as I am sure you gentlemen are aware, Amtrak has been a substantial burden on the taxpayers. Now we recognize that passenger train service in the northeast corridor is essential and we recognize that there are probably other routes between major city pairs that have a chance of becoming profitable in the foreseeable future. So

Amtrak, we admit, unquestionably has an essential role or an important role in the domestic transportation picture.

But we call to your attention the fact that any number of trains that are being operated today are not carrying an average at any one time of more than one to four busloads of passengers, and we think, very honestly, this is an economic waste. It is not good stewardship of our transportation resources.

So it comes down to this, in our view: that the basic question is whether Amtrak should be subsidized heavily for an indefinite period in order to continue to operate trains whose loads could be handled more efficiently, more economically and probably better by the intercity bus—better particularly because the bus lines would do the job not with one or two trains a day but with several schedules spaced at convenient intervals throughout the day.

The intercity bus industry, which is not subsidized, pays highway use taxes levied at every level of government to the tune of about 5 percent of our gross operating revenues. In addition to that we make particularly heavy use of toll roads and we pay about \$8 million a year there.

We say to you that we don't think it is fair or logical that we should be asked to compete against heavily subsidized Amtrak routes in addition to supporting ourselves. We don't feel we can support ourselves and also support part of Amtrak, and it is our strong suggestion that the Congress at this time and in this pending legislation provide some definite yardstick by which it will be possible to determine on an objective basis when a particular Amtrak route should be discontinued.

Amtrak is certainly entitled to a fair trial. However, it has already had 2 years and we don't think this trial should go on forever.

Federal Railroad Administrator John W. Ingram, testifying before a subcommittee of the House Appropriations Committee in April of this year, stated that the maximum acceptable loss on any Amtrak route should be approximately 2 cents per passenger mile.

We have no quarrel with this. We think that a statutory loss standard of 2 cents per passenger mile would make a great deal of sense and enable Amtrak to discontinue routes on the basis of a wholly objective standard.

We further believe, however, that Amtrak routes which fail to meet revenues by 2 cents per passenger mile during fiscal 1974 should be discontinued at the end of fiscal 1974, and that the standard should be adjusted for subsequent years by establishing a deficit test of less than 2 cents per passenger mile.

If the passenger mile test does not appeal to the committee an alternative might be a deficit to revenue ratio. Perhaps such a test might be that any Amtrak route which fails to produce a deficit to revenue ratio of 40 percent or less—in other words, loses 40 cents or more per dollar of revenue—in fiscal 1974, should be discontinued. If a deficit to revenue ratio is adopted, it should be changed from 40 to perhaps 30 in fiscal 1975 and maybe down to 20 the next year, and eventually be eliminated.

We think it is proper for the Congress to promote both the bus and rail modes of transportation to enhance safety, conserve energy, and reduce pollution, and importantly in the case of the buslines to provide common carrier service to small communities, because there are over 14,000 communities in this country served only by bus. However, in

seeking to attain these objectives, there is no justification for giving rail preference over bus.

All three major passenger modes, bus, train, and plane have superlative safety records, particularly as against the private automobile. In the 3-year period from 1969 to 1971 the passenger fatality rate on buses was .05 per hundred million passenger miles. That is 42 times better than the comparable rate of automobiles.

Many people, quite understandably perhaps, but also quite incorrectly, assume that passenger trains are more efficient users of energy than buses—that passenger trains contribute less to pollution than do buses. If any person makes that statement, we respectfully suggest that he be requested to document it, because the only authoritative statement we are familiar with on the subject is contained in a publication in April 1973, by Eric Hirst, in a study sponsored by the National Science Foundation, entitled "Energy Intensiveness of Passenger and Freight Transport Modes."

That study quite clearly shows that the most efficient user of energy for the transportation of passengers is the bus. There is a table at the top of page 8 of my statement that I won't quote here but it conclusively demonstrates that buses contribute less pollution than any other mode.

Buses can do the job of passenger trains and contribute only 55 percent as much pollution as do the trains. Thousands of small communities throughout the United States are served by bus routes and continuation of service to these small communities, where buses are the only form of public transportation, is essential. The only way, gentlemen, that we are able to continue that service is because of revenues on our mainline routes and because of revenues from other bus services such as tour operations and the transportation of package express.

If our "cream" traffic is taken away from us—and it is on our "cream" routes that we face Amtrak competition—by subsidized Amtrak operations which cannot justify themselves, the ability of the buslines to continue to provide service to some 14,000 communities is in real danger.

The buses we operate, the terminals we use, and the maintenance facilities we have are paid for out of our revenues, and on top of that we pay taxes, so that intercity bus service generates tax dollars instead of spending tax dollars.

We have no objection to the operation of any Amtrak service which pays its own way. I can't say too strongly that if an individual prefers to travel by train he is entitled to do so, but we don't feel he is entitled to have a half or a third or 25 percent or any other portion of his fare paid by the general taxpayers. We didn't oppose the creation of Amtrak. We didn't oppose the initial \$40 million subsidy that, according to Amtrak sponsors, was to provide seed money and was supposed to be the only governmental support that was ever going to be required. But that \$40 million grew to \$265 million in 2 years, and now we are talking about \$93 million or a figure higher than \$93 million. Speaking for Vermont Transit and for the intercity bus industry, I say we are quite willing to compete on even terms with Amtrak. We are willing to assume the risk of loss and pay both Federal and State income taxes on every dollar we earn, but in all

fairness we don't feel we should be required to continue to compete indefinitely with the U.S. Treasury.

Thank you.

[Mr. Thompson's prepared statement follows:]

STATEMENT OF ROBERT F. THOMPSON, PRESIDENT, VERMONT TRANSIT CO., INC., AND IN BEHALF OF NATIONAL ASSOCIATION OF MOTOR BUS OWNERS (NAMBO)

Mr. Chairman and members of the subcommittee, my name is Robert F. Thompson. I am President of Vermont Transit Co., Inc., of Burlington, Vermont. I deeply appreciate this opportunity to appear before the Committee on behalf of both Vermont Transit and the National Association of Motor Bus Owners (NAMBO).

NAMBO is the national trade association for the intercity motor bus industry. Its 450 members provide more than 90 percent of the intercity motor bus transportation in the United States. Many of them compete directly with AMTRAK.

The pending bill would amend the Rail Passenger Service Act of 1970, as amended, in the following important respects:

- (1) Repeal the authority of the Interstate Commerce Commission to review discontinuances of service by AMTRAK;
- (2) Specifically exclude from ICC jurisdiction the quantity of rail passenger service provided by AMTRAK; and
- (3) Authorize AMTRAK to acquire non-public property by eminent domain.

NAMBO has no position on these amendments.

In addition, the pending bill contains the following funding provisions:

- (1) An increase in AMTRAK's outstanding loan guarantee authority from \$200 million to \$500 million, and
- (2) Open-ended appropriations authority in lieu of specific appropriation authorizations.

NAMBO has no position on the proposed funding provisions or to an appropriation of \$93 million for fiscal year 1974 if the Act is amended to prevent hopelessly unprofitable intercity passenger trains from being operated.

Prior to enacting the bill which created AMTRAK, the Congress was advised by the Secretary of Transportation that: "With sufficient capitalization, a new quasi-public corporation, whose only purpose is to maintain and improve rail passenger service over a more economically sensible system, has a good chance of becoming a sound and successful enterprise."¹ In fact, AMTRAK has proved to be a substantial burden for taxpayers. For the fiscal year ended June 30, 1972, AMTRAK reported a deficit of \$153,500,000. Its projected deficit for fiscal 1973 is \$128.4 million. The Department of Transportation estimates an additional \$93 million will be required to underwrite AMTRAK's losses in fiscal year 1974. In addition, AMTRAK's guaranteed loan authority would be increased from \$200 million to \$500 million.

We recognize passenger train service is essential in the Northeast Corridor and that improved service there and on some other routes between major city-pairs may prove to be profitable in the reasonably near future. Thus, AMTRAK unquestionably has an important role in domestic passenger transportation. But where trains carry the equivalent of only one to four busloads of passengers, as most AMTRAK trains do, buses enjoy a substantial economic advantage. For example, the average cost of operating AMTRAK trains during 1972 was \$11.73 per train-mile, as compared with a cost of 81.4 cents per bus-mile. The basic question posed by the pending bill is whether AMTRAK should be subsidized heavily for an indefinite period for the operation of trains which, on a daily average, provide service at any particular time for only one to four busloads of people.

A conventional intercity bus seats 43 to 47 passengers. The average load factor for the intercity bus industry is only about 50 percent. To subsidize AMTRAK for the transportation of passengers who at any given time would not fill two, three, or four buses is an unwise allocation of transportation resources.

The intercity bus industry, which is not subsidized, pays taxes levied by Federal, state and local governments for use of the highways—a total of more than \$38,000,000 a year for the industry which is nearly five percent of gross operating revenues. These user taxes cover the bus lines' share of highway costs

¹ Supplemental Hearings on H.R. 17849 and S. 3706 before the Subcommittee on Transportation and Aeronautics of the House Interstate and Foreign Commerce Committee, 91st Cong., 2d Sess. (1970) pages 67-68.

determined in the light of the *Supplementary Report of the Highway Cost Allocation Study* published in February, 1965 by the U.S. Bureau of Public Roads (now the Federal Highway Administration). Intercity buses make particularly heavy use of toll roads and pay nearly \$8,000,000 annually in tolls, in addition to the taxes noted above and they should not be required to compete against heavily subsidized AMTRAK routes which are not economically viable. To insure equality of competitive opportunity and to minimize the drain on the Federal treasury, we believe the Congress should provide an economic yardstick for determining when particular AMTRAK routes should be discontinued. They are entitled to a fair trial but this should not go on forever. The Congress should now establish criteria for that trial.

Testifying before a Subcommittee of the House Appropriations Committee on April 6, 1973, John W. Ingram, Federal Railroad Administrator, indicated the maximum acceptable loss on any AMTRAK route should be approximately two cents per passenger-mile. That loss figure does not include general and administrative expenses not assignable to any particular route.

Only the Chicago-Los Angeles, New York-Florida, and Northeast Corridor routes met the suggested loss standard in fiscal year 1972. If all AMTRAK trains lost approximately two cents per passenger-mile, including their shares of all general and administrative expenses, AMTRAK's deficit would be about \$75 million a year.

NAMBO agrees with the concept of a loss criterion. A statutory loss standard of two cents per passenger-mile would enable AMTRAK to discontinue routes on the basis of a wholly objective standard. We believe AMTRAK routes which fail to meet revenues by two cents per passenger-mile in fiscal year 1974 should be discontinued and that the standard should be raised for subsequent years by establishing a deficit test lower than two cents per passenger-mile.

As an alternative, the Committee might consider a requirement for the discontinuance of service over any AMTRAK route which failed in fiscal year 1974 to achieve a deficit to revenue ratio of 40 percent, including fully allocated AMTRAK costs, and which failed in subsequent years to achieve a lower deficit-revenue ratio, possibly 30 percent in fiscal year 1975 and further reduced in succeeding years.

The nation's intercity bus operators believe it is proper for the Congress to promote both bus and rail transportation to enhance public safety, conserve energy, reduce pollution, and to provide common carrier service to small communities. However, in seeking to attain these objectives, there is no basis for preferring rail over bus passenger transportation.

It is important to remember that AMTRAK is not responsible for providing commuter service. The statute creating AMTRAK charges it with providing intercity railroad passenger service, which is defined in the Act as "all rail passenger service other than (A) commuter and other short-haul service in metropolitan and suburban areas . . ."

All three major passenger modes—bus, plane and AMTRAK—have superlative safety records, particularly so in comparison with the private automobile. In the three-year period 1969-1971, the passenger fatality rate on buses of the Class I carriers was 0.05 per 100,000 passenger-miles. The comparable figure for automobile riders was 2.10.

Intercity motor carriers of passengers are more efficient consumers of energy than any other passenger mode. Intercity passenger trains are more efficient consumers of energy than air carriers and the private automobile, but considerably less fuel is required for one bus passenger-mile than for one train passenger-mile. In *Energy Intensiveness of Passenger and Freight Transport Modes: 1950-1970* (April 1973), by Eric Hirst, a study sponsored by the National Science Foundation, buses were found to be the most energy-efficient mode for intercity passenger travel. Energy requirements for the four most common passenger traffic modes were found to be as follows:

	Passenger- miles per gallon	Btu per passenger- mile	Btu per seat-mile
1. Buses.....	85	1,600	740
2. Railroads.....	48	2,900	1,100
3. Automobiles.....	40	3,400	1,600
4. Airplanes.....	(1)	8,400	4,100

¹ Not applicable.

In addition, intercity buses emit less pollutants than most intercity rail passenger trains. Pollutant emissions from intercity buses, on an average per-passenger-mile basis, are only about 55 percent of such emissions from diesel-powered intercity passenger trains. That difference is based on average load factors of 46 percent for buses and 37 percent for intercity passenger trains. With 100 percent load factors for both modes, emissions of pollutants from intercity buses would be about 67 percent of those from diesel-powered intercity trains because, as previously explained, buses are more efficient consumers of energy.

Thousands of small communities throughout the United States are served by bus routes on which traffic is thin and profits are marginal or non-existent. Continuation of such service is frequently possible only because of profits obtained from through-service between larger communities and from other bus services such as charter operations and transportation of package express. Erosion of bus traffic on routes served on a subsidized basis by AMTRAK will result in reduction or termination of bus service to hundreds of communities not served by AMTRAK. More than 14,000 communities served by bus have no other public passenger transportation service.

The buses we operate are paid for from revenue as are the maintenance facilities and bus terminals. The intercity bus industry generates tax dollars—instead of spending your tax dollars as AMTRAK is doing. Furthermore, the alleged increase in Federal income taxes attributable to the creation of AMTRAK is grossly exaggerated. Allegations that AMTRAK has increased the Federal income tax liability of the former passenger-carrying railroads by \$60,000,000 to \$80,000,000 erroneously assume (1) that the ICC would not have permitted discontinuance of many unprofitable trains; and (2) that the income tax liability of the railroads which formerly carried passengers is approximately 48 percent of pre-tax net income. In 1972, railroads participating in AMTRAK and operating at a profit paid Federal income taxes amounting to only 9.7 percent of pre-tax net income and in 1970 only 5.1 percent.

I have no objection to the operation of any AMTRAK service which pays its way. I object only to the use of taxpayers' money for continuing and, in all probability, increasing subsidies.

The bus industry did not oppose the creation of AMTRAK. It did not oppose the initial \$40 million Federal subsidy which, according to AMTRAK's sponsors, was to provide the necessary seed money to get AMTRAK started and was supposed to be the only governmental support that would ever be required. That \$40 million grew to a \$265 million Federal subsidy in two years, and now AMTRAK is requesting an additional \$93 million in Federal subsidy for a total of \$358 million in Federal subsidy in three years plus \$2 million a year Federal subsidy for international rail passenger routes and there is no end in sight. This \$358 million Federal subsidy does not include any of the varied substantial loan guarantees.

Vermont Transit, a relatively small carrier, is quite willing to compete on even terms with AMTRAK, assume all risk of loss and pay both Federal and state income taxes on every dollar we earn. In all fairness, however, I do not feel we should be required to compete with the U.S. Treasury.

Thank you.

Mr. DINGELL [presiding]. Thank you, Mr. Thompson.

Any questions, Mr. Podell?

Mr. PODELL. Yes, Mr. Chairman.

Mr. Thompson, you seem to indicate that extensive subsidization of Amtrak would create unfair competition to your bus companies. Is that a correct statement?

Mr. THOMPSON. Yes, sir.

Mr. PODELL. Have you noticed that there has been any appreciable decline in motorbus transportation since the creation of Amtrak?

Mr. THOMPSON. There has been a decline, Congressman, and I can speak principally from my own company in that. We have definitely been hurt by the institution of service between Washington and Montreal.

Mr. PODELL. Forgive me, I think we would have to talk in general

terms for the industry, I thought you were speaking for the industry?

Mr. THOMPSON. I thought I made my statement on behalf of the industry, and illustrated it for my own company.

Mr. PODELL. Well, how about other companies? Have other companies you know seen a similar decline?

Mr. THOMPSON. Yes, I think the figures will show a decline in passenger miles of intercity bus use during the past 2 years since Amtrak was initiated. We will be glad to document it.

Mr. HARVEY. Will you yield?

Mr. PODELL. Yes.

Mr. HARVEY. Mr. Thompson, it is hard to believe because when Amtrak was initiated, it resulted in the discontinuance of many trains that had previously been running at that particular time.

Mr. THOMPSON. That is true.

Mr. PODELL. I would think that the business would have profited, or it would have benefited by those particular lines that were discontinued at that particular time. Overall I would think that since the beginning of Amtrak that the bus companies must have benefited in these areas. If you do have figures on that to the contrary, I would like to see them; otherwise I would be forced to conclude that they surely benefited from the areas where train service was discontinued because the busline came in and picked up those passengers and assumed that particular transportation.

I don't mean to take the gentleman's time, but I had that thought.

Mr. THOMPSON. There is no doubt we picked up some passengers when train service was discontinued.

Mr. PODELL. You anticipated my next question.

Mr. THOMPSON. There is no doubt in some instances the buslines picked up some passengers where trains were discontinued. My busline picked up some passengers in our service between Montreal and Vermont points, Springfield, and New York, which paralleled the operation of the Montreal and Washingtonian when those trains were discontinued. With the reinstitution of these trains by Amtrak, we have now lost that traffic. We will be glad to document the statement; nationally but passenger miles have declined since Amtrak was initiated.

[The documentation was not available to the committee at the time of printing.]

Mr. PODELL. I used to be a State legislator and used to travel from Albany to New York and I recall that there was a very available rail transportation to use, the old Empire State; yet at the same time there was one busline—I think it was Greyhound—and business was so good for the busline that another busline came in. I can't think of the name.

Mr. THOMPSON. Adirondack Trailways.

Mr. PODELL. That is the one, and came in and rendered the same service. I note this with interest, that all three seemed to have flourished, but the buses seem to have made the most of it rather than the least of it, and did very well. It was quite often difficult, though, to get on the bus, but sometimes they would have nother section or two.

Now in view of the current energy crisis, we are talking now about limiting gasoline, and cutting back in view of the problems of pollution, and buses do cause some minor degree of pollution, but don't you

think it would bode poorly for transportation and for the community if we were to not try to increase rail transportation rather than stifle it?

Mr. THOMPSON. Congressman, I think here it is important to differentiate between areas of the country. I think, for example, there is a great deal of difference between New York-Washington, on the one hand, and northern New England on the other, or some point out in the Western States where the potential use of any form of public transportation is extremely limited.

Now, actually, the National Science Foundation study to which I referred earlier states that even on a 100 percent load factor basis, with every seat occupied, an intercity bus is still a more efficient user of fuel than a diesel power passenger train.

Mr. PODELL. Well, we are looking forward to Amtrak presently negotiating or purchasing electric trains.

Mr. THOMPSON. This is the very reason I say, Congressman, that you must differentiate between one route and another. Electric operation, New York-Washington, is one situation, but I can't visualize electric operation between Montpelier and Burlington, Vt.

Mr. PODELL. Never doubt someday we will use the sun for energy and perhaps that can be done. The fact of the matter is, if we take the trains off, we will have to put more buses on. Isn't that a logical conclusion?

Mr. THOMPSON. Yes; and use less energy in the process, and less fuel in the process.

Mr. PODELL. Would you say that our highways are presently so vast and empty that we could afford a continued influx of new buses to come in?

Mr. THOMPSON. Well, actually, Congressman, in most of the cases we are talking about, which are those cases where Amtrak's load is only from one to four busloads, there is already bus service spaced throughout the day and without adding a single bus, every passenger the train is carrying could be accommodated. We could handle, in the case of my company, every passenger that the Montrealer and Washingtonian are carrying north of Springfield, Mass., without adding a single bus or a single bus schedule.

Mr. PODELL. Your buses are that empty now, you say?

Mr. THOMPSON. We have about a 40 percent load factor.

Mr. PODELL. You could afford to absorb the traffic?

Mr. THOMPSON. Yes; and there are hundreds of cases like this around.

Mr. PODELL. The fact of the matter is we must look at this from an overall view. You may have a particular problem in your company, but from the overall view we have to take cognizance of the fact that by easing up on rail traffic we are certainly going to increase highway traffic, which I am not so sure is advisable.

Let me ask you one more thing. You talk about subsidy. I am not a defender of railroads, I will tell you that. I missed Mr. Ailes' testimony this morning, but we have had our go around in the past. It would appear to me that railroads do operate under a great disadvantage as compared to bus. They have had to pay for their right-of-way. They had to build it. They had to construct it. It was a capital construction cost. They probably had to borrow money and would pay

tor that. You fellows are riding your bus on my highway and I am paying you to give me a ride.

Mr. THOMPSON. Congressman, I am not sure that I understand you.

Mr. PODELL. I pay for the highway myself, as a taxpayer.

Mr. THOMPSON. You join with us in paying for it.

Mr. PODELL. We all pay for the highway together.

Mr. THOMPSON. That is right, and this is an important point to remember. The only impartial authoritative studies I have ever seen have established beyond any question of doubt that the buslines have paid their full and fair share of highway taxes. The most recent study is the one referred to in my statement, the Supplementary Report of the Highway Cost Allocation Study published in 1965 by the U.S. Bureau of Public Roads.

Now, actually, as between Amtrak and ourselves, today, we are both doing exactly the same thing. Both of us are using a right-of-way which neither of us owns.

Amtrak is paying the railroads for the use of their right-of-way and we are paying the public for the use of its right-of-way.

Mr. PODELL. How do you do that, sir?

Mr. THOMPSON. We are doing it through highway taxes at the Federal level, at the State level and local level. We are doing it from tolls on the toll roads.

Mr. PODELL. But every passenger does that.

Mr. THOMPSON. Of course.

Mr. PODELL. Everybody that rides a car pays taxes and tolls?

Mr. THOMPSON. Of course.

Mr. PODELL. You wouldn't think to compare your cost of taxes and highway costs and toll costs compared with the actual construction and maintenance of rail lines, would you? You don't maintain them and yet the railroads maintain theirs.

Mr. THOMPSON. We pay for their maintenance. Amtrak does not maintain them either. We are doing exactly the same thing Amtrak is doing.

Mr. PODELL. Your divisible share of maintenance is divided between millions of people. A railroad which maintains a right-of-way divides its costs only between its stockholders. There is a big distinction between your cost of support and the railroads. I don't hope to get into a contest between one or the other. I believe we must maintain rail and bus transportation for the benefit of the public and that is our purpose, but there were two or three things I wanted to bring to your attention.

Mr. THOMPSON. I couldn't agree more, sir, that we should maintain both in areas where both are needed. But in areas where one is operated at a substantial waste of taxpayers' dollars and the other can do the job alone without subsidy, in those cases, sir, I say to you that further subsidy of Amtrak is not desirable.

All of us tend to think about the northeast corridor, but there is a great difference between the northeast corridor and most other sections of the country and the examples I gave you of our company are typical of more parts of the country than is the northeast corridor typical of all parts of the country.

Mr. PODELL. I agree with you. I yield back the balance of my 2 minutes.

Mr. DINGELL. Mr. Harvey.

Mr. HARVEY. I don't think I have any questions now, but I would just like to thank you for coming, Mr. Thompson. Your testimony is a pleasant reminder of where we are headed. We certainly need to think about the future of Amtrak when this committee begins markup on the Amtrak bill.

Mr. DINGELL. Mr. Metcalfe.

Mr. METCALFE. I have one question. Can you give us a fiscal analysis as to the financial status of the bus companies now as compared to 2 years ago before Amtrak came into existence? In other words, your people are more talented than they were before.

Mr. THOMPSON. As in any industry that varies from one company to another. We would be glad to submit details on it, if you like, sir. [The information requested was not available to the committee at the time of printing.]

Mr. METCALFE. Well, if that is the case, is there much of a variance with one company as against another company?

Mr. THOMPSON. There is some variance between carriers. Generally speaking, according to the latest figures I have seen, this is the first quarter, 1973, the industry is not doing as well as it was in the first quarters of 1972 or 1971. I know very well our company is not.

I am not blaming it all on Amtrak. A good bit of that is this constant inflation we are facing.

Mr. METCALFE. Are people traveling less because of the inflation?

Mr. THOMPSON. It could be, but the airlines figures don't show it. They are showing nice gains. Amtrak claimed in the last figures I saw, an 11-percent increase in passenger miles. I know we are down and many other buslines are down and I think the industry is down in passenger miles, sir, which is the key figure.

Mr. METCALFE. And you think, failing to acquiesce to the wishes of Amtrak for their some \$93 million, that some of these companies or all of them may benefit financially?

Mr. THOMPSON. Yes, without a question, all of them would benefit, all of them who now compete with Amtrak would benefit financially. That is because the traffic that in many cases represents our "cream" traffic is the very traffic that Amtrak is carrying at a loss.

Mr. METCALFE. Are you in a financially precarious position now?

Mr. THOMPSON. No, sir. We are not here trying to deceive that.

Mr. METCALFE. You want to maintain it, is that right?

Mr. THOMPSON. In 1973 we have, in the case of my own company, a good chance of losing money, but this is involved with a lot of other things besides Amtrak, cost relief, rate relief, and so forth.

Mr. METCALFE. Thank you very much, and thank you, Mr. Chairman.

Mr. DINGELL. Mr. Shoup.

Mr. SHOUP. Thank you, Mr. Chairman.

Mr. Thompson, if I may go over some of these answers you gave. In your testimony you are saying, and I think you end up very well on a briefly stated position, that you do not feel that you should be required to compete with the U.S. Treasury. Throughout here you say that we should not subsidize Amtrak over a long period of time and the subsidies should be completely eliminated.

Mr. THOMPSON. I didn't say that, sir, only those losing routes. The subsidy should be stopped, yes.

Mr. SHOUP. Let us assume every route under Amtrak is a losing prop-

osition, then we should eliminate them all? That is, eliminate the subsidy and without it then they couldn't operate?

Mr. THOMPSON. After a reasonable trial period, yes.

Mr. SHOUP. And, again, what is reasonable? I think you referred to 2 years at the start of your testimony, that 2 years was reasonable and we have gone through 2 years and how much longer?

Mr. THOMPSON. I don't think I said that and I didn't mean to say that. I think there are some routes of Amtrak that should be discontinued right now. I think 2 years has demonstrated that clearly. What I am saying is that there should be some sort of objective standard that would prevent this situation where every year Amtrak has to come back to this committee and talk about how much more money is needed.

The statute should provide some sort of objective test and when Amtrak fails to meet that test on any given train that train should come off.

Mr. SHOUP. If 2 years from now, Mr. Thompson, we stop subsidizing Amtrak, and they cannot operate in the Northeast corridor because they cannot meet the criteria which you set up, could the bus industry provide the service?

Mr. THOMPSON. Yes; the bus industry could provide the service, but I don't think anyone in the bus industry would claim that rail service between New York and Washington or even between Washington and Boston—and I think the area north of New York is different from the area south of New York—but talking about the corridor of Boston to Washington I don't think anybody in the bus industry is saying that that service should be discontinued. As a matter of fact, it is my view that if Amtrak charged compensatory fares that service would pay for itself now.

One of our beefs is the fact that Amtrak uses loss leaders like some chainstores and they did it between New York and Boston and advertised "less than the bus."

Mr. SHOUP. I wish you would have put it in your formal statement. Are you speaking for the organization when you take this position?

Mr. THOMPSON. Yes, sir.

Mr. SHOUP. I have no doubt that in my part of the country you could provide the service; I am from the West. But I seriously doubt, though—and this is from riding the bus between here and New York—that you, the bus, could provide the service between here and New York if we were to eliminate the passenger trains.

Mr. THOMPSON. Well, I don't think any of us, as I said before, are suggesting that rail passenger service should be eliminated between here and New York.

Mr. SHOUP. Basically then we should have two criteria for Amtrak?

Mr. THOMPSON. No; a single criterion. I think the service between here and New York could be made to pay. In fact I think Amtrak's figures show the Metroliners do pay their way.

Mr. SHOUP. Would your organization be willing to work on an intermodal concept? I think this would resolve a great many of our problems.

Mr. THOMPSON. Yes, sir. Basically, this is what we have been saying.

Mr. SHOUP. Well, some place we need the spark to get started, don't we?

Mr. THOMPSON. Yes.

Mr. DINGELL. Thank you very much, Mr. Thompson, the committee is grateful for your helpful testimony.

The next witness is Anthony Haswell, National Association of Railroad Passengers. The Chair does note you have a 79-page statement and I think we will not be able to properly hear all of that so without objection your full statement will be inserted in the record and we will recognize you then for purpose of excerpts therefrom, Mr. Haswell.

STATEMENT OF ANTHONY HASWELL, CHAIRMAN, NATIONAL ASSOCIATION OF RAILROAD PASSENGERS

Mr. HASWELL. Thank you very much, Mr. Chairman. Please be assured I have no intention of inflicting that entire statement on the committee.

Mr. DINGELL. You did create some terror on the part of the members of the committee by that thought.

Mr. HASWELL. My name is Anthony Haswell, chairman of the National Association of Railroad Passengers, which is a not-for-profit corporation in Washington operating as a membership consumer organization on behalf of present and would-be rail passengers.

We have about 5,500 in all parts of the country. Our objective is to obtain modern train service wherever needed and useful, whether for commuters, intercity travelers in corridors, or cross-country vacationers.

Activities in furtherance of this goal include working for passage of constructive legislation, participating in selective cases before regulatory authorities and the courts, and conducting a continuing educational campaign to acquaint the public with the advantages and benefits of good passenger service and the underlying and economic and political issues involved.

As the chairman indicated, I have submitted a somewhat lengthy statement, and I hope it will be helpful to the members of the committee as they go forward to consider the question of Amtrak legislation. The statement restates our case for passenger trains, goes into considerable detail on Amtrak performance and operation to date, discusses the crucial question of track and roadbeds, and ends up with some specific legislative suggestions.

I think that I could be most helpful today by concentrating on two specific items.

First, I would like to discuss briefly a question about which you just had testimony—the effect of Amtrak on the bus industry. The bus industry is criticizing Amtrak on two grounds: First, that Amtrak is unfair subsidized competition for bus companies which are being hurt by such competition; secondly, most of the service performed by Amtrak could be accomplished more efficiently by bus.

As for the unfairness argument, we point out that upon the coming of Amtrak on May 1, 1971, about half of the intercity passenger trains in the country were discontinued, leaving many communities without train service and thus giving a substantial windfall to bus operators.

Second, bus patronage has increased, not decreased, for comparable periods even after Amtrak began. The Department of Transportation reports that the third quarter of 1972 the number of intercity bus passengers increased 22 percent over the same period in 1971, and that 1971

period was after the mass discontinuance by Amtrak. I also refer you to the Interstate Commerce Commission's 86th annual report for the year ending, July 1, 1972. The Commission comments as follows:

During fiscal year 1972 the financial condition of the bus industry continued to improve even over calendar year 1971 in which class one carriers net income after taxes rose to an all time high of \$63.8 million, 22 percent greater than in the preceding year. Revenue gains in fiscal year 1972 primarily resulted from fare receipts on regular intercity routes and revenues and charter service.

Package and express revenues in total failed to match the annual average increase of almost 13 percent between 1960 and 1970, but growth continued as it did with charter and special service travel. The initiation of the National Railroad Passenger Corporation's Amtrak service, May 1, 1971, was a major factor in curbing the decline of regularly scheduled intercity bus traffic. Amtrak discontinued runs on many existing rail passenger lines and much of this traffic was diverted to bus.

Amtrak has conducted a survey on its long distance trains, which indicated that only about 5 percent of the people interviewed normally use buses for long trips. Finally, the Amtrak fare cuts on the New York-Boston run, which have been vigorously criticized by the bus industry, resulted in an increase in Amtrak revenues sufficient to reduce the operating deficit on that run, and thus reduce the need for subsidy which the bus people are complaining about.

I have not read the study of highway user charges which was cited to you by Mr. Thompson, but I do know that other studies in previous years have indicated generally that heavy vehicles, trucks and buses, are not paying their fair share of highway user charges in relation to the highway wear and tear that they cause.

Furthermore, it has been estimated that since World War I at least \$100 billion out of the total of almost \$400 billion that have been spent by highways at all levels of government, State, Federal, and local, was not recovered by user charges of any kind. The bus industry, along with other highway users, was the direct beneficiary of this largesse.

Bus industry spokesmen have pointed to certain low-ridership, high-deficit Amtrak runs and asserted that the people could be moved more economically and with less energy consumption by bus. In the short run, this may be true, but as Amtrak improves its service and its operations, its revenue-expense ratio will look much better. But an even bigger problem with this argument of the bus industry is that buses do not have the capability that modern trains have to attract large numbers of people away from automobiles and airplanes and thus to relieve pressures on highways and airports. That is the principal reason why the Government has undertaken a passenger train program.

I should point out that Mr. Thompson was complaining about the Amtrak train between New York and Montreal taking business away from his busline. Well, that train operates through his territory in the middle of the night and in the wee hours of the morning at about 40 miles an hour on a very decrepit roadbed. If that train is capable of diverting people from the bus, it substantiates the statement I just made that buses simply are not an effective instrument to divert large numbers of people away from airplanes and automobiles.

If reliance were placed on buses, one of two things would have to be done in order for buses to draw large numbers of people away from autos and airplanes: Either add considerable more width and legroom for seating, or provide sufficient subsidy so that bus fares could be set low enough to cancel out other advantages of autos and airplanes.

The first approach would undoubtedly force substantially increased

bus fares on account of reduced seating capacity, thus becoming self-defeating. Also a necessary consequence, even if bus patronage did not increase, would be an increase in number of buses which would have an adverse affect on traffic congestion, air pollution, and noise levels.

A reduction in bus fares sufficiently low enough to attract large numbers of motorists and air travelers would undoubtedly cost the Government more over the long run than providing train service, and again would require a large increase in the number of buses with all of their environmental drawbacks.

In any event, it seems clear that the bus industry has been helped, not hurt, by the coming of Amtrak, and when viewed in the context of history, Government aid to Amtrak is not unfair. There is certainly a need and place for bus service as well as train service. Instead of attacking Amtrak, the bus operators should concentrate on the substantial markets available to them which can never be effectively reached by trains.

Our association is emphatically in favor of more intermodal arrangements between Amtrak and bus operators to broaden the effective coverage of Amtrak's service.

The second question which I would like to discuss today is the question which you discussed for a while this morning with Mr. Ailes of the Association of American Railroads—the dispute over the amount of money which Amtrak should be paying the railroads for provision of facilities and the operation of trains.

The railroad industry is now demanding that Amtrak pay an additional \$84 million. We get that number by adding the \$52 million mentioned by Mr. Ailes to the \$32 million figure by Penn Central. The Penn Central figure may well be higher by the time it all comes out, but \$32 million has been the figure which is most consistently discussed by the trustees. These demands are based on the theory that the Amtrak statute entitles the railroads to be paid on a fully allocated cost formula rather than on an avoidable cost basis.

The additional money would not buy a dime's worth of new equipment, nor improve tracks and roadbeds, but simply enrich the railroads for the far from satisfactory service they are now providing for Amtrak.

The question is now before the ICC in the Penn Central case, with a decision expected by June 25. Our association is participating in this proceeding. For reasons indicated in our presentation to the Commission, a copy of which I have with me today and which I would like to have included in the record of these hearings [see p. 305], we believe that the Congress intended that avoidable costs should be the standard of compensation to railroads by Amtrak. We take that position both on the statute and legislative history and on the constitutional questions which have been raised by the railroads.

Should the Commission, however, side with the railroads on this issue, we urge that this committee act promptly to clarify the law by amending the statute to specify that just and reasonable compensation means compensation for the avoidable cost of providing Amtrak passenger service.

I suggest that an additional section be added to section 402 of the act, which would read something as follows:

(d) For purposes of subsections (a), (b), and (c) of this section, just and reasonable compensation shall be equivalent to reimbursement for incremental

expense incurred over and above the expense of normal operations if no intercity passenger trains were being operated; *Provided, however*, that an appropriate amount over and above such reimbursement may be paid by the Corporation as an incentive under specific performance standards agreed to by the parties or imposed by the Commission under subsection (a) of this section. The level of such additional compensation shall be related directly to the quality of such performance.

The demands of the railroads make a mockery of repeated statements of industry spokesmen that the railroads want Amtrak to succeed and will give their full cooperation to that end. The demands are even more outrageous when viewed in the light of the very substantial benefits which have accrued and will accrue to railroads as a result of enactment of the Amtrak law.

Writing in *Railroad Industry Review*, 1971, published by Reynolds Securities, respected securities analyst Pierre Britaen pointed out in 1972 and later years the railroads would save a substantial amount by virtue of Amtrak having relieved them of the avoidable cost of passenger service, and on top of that, most roads will get generous tax credits by charging the Amtrak entrance fee against operating expense. The figures for Amtrak roads are as follows:

Avoidable loss savings: Sante Fe, \$23 million, B. & O., \$6 million, Burlington Northern, \$36 million, C. & O., \$5 million, Milwaukee, \$8 million, Illinois Central, \$7 million, Missouri Pacific, \$2 million, N&W, \$5 million, Penn Central, \$66 million, Seaboard Coast Line, \$24 million, Southern Pacific, \$11 million, and Union Pacific, \$19 million. These are all annual, recurring savings.

The nonrecurring tax credits for each railroad are approximately the same amount. However, three of these railroads bought Amtrak stock and they will have to wait for their tax credit until the stock is officially declared worthless.

We strongly support the testimony presented to the subcommittee yesterday by Roger Lewis of Amtrak, and we are very heartened at the firm position that Amtrak is taking on this matter. I think it is pertinent that the chairman this morning read into the record the statements made by Mr. Ailes' predecessor, when railroad relief legislation was being considered in 1969. I would like to add just one more quotation from Mr. Goodfellow's statement from the hearing record of 1969:

In seeking relief from passenger losses the railroads are not looking for profit, merely indemnification for actual loss sustained on service they are ordered to keep.

We have had quite a change of tune. We are hopeful, as I said before, to get a favorable decision from the ICC. But if this does not come to pass, we believe it is imperative that this committee act along the lines as I have suggested, to nail down the standard of compensation. We believe that until this question is clarified, no more funds should be authorized for Amtrak.

The public must be assured that tax moneys paid to Amtrak are going to go for better trains, better tracks, and better service rather than just enriching the railroads. As I recall Mr. Ailes' testimony this morning, he stated that the railroads are still subsidizing Amtrak and almost in the same breath he said that the railroads are being repaid for their avoidable costs. I find that a total contradiction in terms.

We have been hearing from time to time about possible constitutional rights governing the taking of property. But the railroads are still public utilities and the Supreme Court in many decisions has made clear that railroads do not have a constitutional right to make a profit on each and every item of their business. Whether their property is being unconstitutionally taken, so to speak, depends upon their entire financial condition and the effect of the questioned activity on that position.

It is my personal view that nothing is happening now or that has been suggested that would have an unconstitutional impact on the railroads.

Finally, we have a number of legislative suggestions in our statement which we think would improve the performance of Amtrak. We support Amtrak, we support passenger service, and we are in favor of increased funding for Amtrak provided that it gets into the tracks and into the trains and cars.

We support the Department of Transportation's suggestion that Amtrak be given eminent domain powers.

As I understand the Association of American Railroads' position, if their language was accepted, the eminent domain power would become a nullity because there could be years and years of litigation before the property could ever be transferred. I think that the railroads' interests are constitutionally and fairly protected under the language suggested by the Department of Transportation, and I urge that the committee enact that without change.

I can supply the committee with at least one example of the need for this legislation. I appreciate the concern of the committee for some substantiation. Of course, we are outsiders and you might want to make further inquiries, but I have a report that Amtrak has attempted to purchase land in Richmond, Va., from the Richmond, Fredericksburg & Potomac Railroad, for a new passenger station. It would be most advantageous for Amtrak to build a new station in Richmond, both in terms of operating costs and in terms of getting the trains through Richmond faster. The present station is one of these gigantic monumental structures at the end of a loop. The trains have to go down to the station, stop, loop around, and come back out, which is a waste of time. In addition, the station is an obsolete facility in terms of expense.

Amtrak selected what appeared to it to be a good location further north, but the railroad refused to sell the property because they might want it for industrial development some day. I believe that situations of this kind are going to confront Amtrak in virtually every instance it wants to acquire railroad property.

I think Amtrak is right to ask for some aid from Congress on this matter. In view of how the railroads have obstructed Amtrak in so many instances regarding train operations, we can't help but believe that the example I cited to you is like the tip of the iceberg in terms of Amtrak's overall efforts to get railroad property.

That is all that I have this morning for my oral presentation, but I will certainly be glad to answer any questions the committee may have.

[Testimony resumes on p. 334.]

[Mr. Haswell's prepared statement and the statement before the ICC, referred to, follow:]

Statement of

ANTHONY HASWELL

Chairman

NATIONAL ASSOCIATION OF RAILROAD PASSENGERS

Before the Subcommittee on Transportation and Aeronautics

Committee on Interstate and Foreign Commerce

HOUSE OF REPRESENTATIVES

Amtrak Oversight and Funding

June 12, 1973

My name is Anthony Haswell. I am chairman of the National Association of Railroad Passengers (NARP) which maintains offices at 417 New Jersey Avenue, S.E., Washington, D.C.

NARP is an Illinois not-for-profit corporation which operates as a membership consumer organization on behalf of present and would-be railroad passengers. NARP has enrolled over 5,500 members in all parts of the country. NARP's specific objective is to obtain modern train service wherever it is needed and useful, whether for commuters, for intercity travellers in "corridors", or for cross-country

vacationers. Activities in furtherance of this goal include working for the passage of constructive legislation; participating in selected cases before regulatory authorities and the courts; and conducting a continuing educational campaign to acquaint the public with the advantages and benefits of good passenger service, and the underlying economic and political issues involved.

Our Association has supported the concept of Amtrak - a nationwide, unified system of intercity passenger service -- ever since the program was publicly proposed in early 1970. Experience since that time has underscored the need and place for modern passenger trains as part of a balanced transportation system. Hence we support the continuation of Amtrak and the authorization of additional funding for Amtrak. However, as I will discuss presently, we do have some serious criticism of Amtrak's performance, and accordingly, we believe that the Amtrak statute should be appropriately amended to help bring about an improvement.

I. Environmental and Economic Advantages of Rail Service

The need for fast, modern passenger train service stems from the inability of the highways and

airways to handle the ever-increasing volume of travel, particularly in major "megapolitan" areas. I travel frequently between Washington and my home in Chicago, about half the time by train and half the time by air. On recent trips into Chicago by air during the late afternoon and early evening, the flights have been delayed a half hour or longer.

While it is physically possible to expand highways and airports, sufficient capacity for future needs cannot be provided without doing unacceptable damage to the environment, in addition to being very costly. Passenger trains are the ideal alternative.

A. Land Use

The new Dallas-Fort Worth Airport is as large as Manhattan Island; other new jetport projects call for at least this much land area. In the Northeast Corridor, streets and highways occupy the gigantic area of 1,240 square miles. Nationally, it has been estimated that an area equivalent to Vermont, New Hampshire, Massachusetts, Rhode Island, Connecticut, and Delaware is now devoted to highways, streets, and parking facilities.

If these facilities are built in an urban area, thousands of people are forced to find a new

house. In many instances, they are among the least able to afford the expense of relocation. If park land is used, the social/^{and}environmental cost to the community is equally obvious. Even if undeveloped space is utilized, land is thus withdrawn from future use for housing and recreation. In some cases, highways and airports have threatened serious damage to historic sites, areas of scenic beauty, and the ecological balance of nature. And of course, since these facilities are publicly owned, the land they occupy is removed from the tax rolls.

In recent years, there has been an increasing public outcry against extravagant use of land for transportation purposes, as shown by the disputes over Overton Park in Memphis, Brekinridge Park in San Antonio, Shaker Lakes in Cleveland, the French Quarter in New Orleans, the Hudson River Expressway in New York, and the Three Sisters Bridge in Washington, D.C. Public protest on environmental and ecological grounds have stalled the construction of airports in the Florida everglades and in Lake Michigan off Chicago. Up to now, every suggested site for a fourth major airport in the New York area has been severely criticized for environmental drawbacks.

Railroads require far less land than airports and highways. One line of railroad can handle as many people in the same time span as 10 to 20 lanes of highway. Manhattan's two railroad stations handle 105 million passengers a year on 124 acres. The three New York airports handle less than a third as many passengers on more than 60 times the land area, about as much as is occupied by the Penn Central main line all the way from New York to Buffalo. In Chicago, the Chicago and North Western rail terminal handles as many people each day as the vast expanse of O'Hare Field. Moreover, in many places existing rail rights of way can be upgraded for improved, high-speed service, thus removing the need for any land acquisition.

B. Air Pollution

Automobiles and buses are a primary source of air pollution in our major cities. A diesel train creates considerably less pollution per seat mile than either cars or buses, and an electric train is virtually pollution free.

C. Noise Levels

Residents of areas near major airports have forced substantial alterations in landing and takeoff

patterns because of intolerable noise levels. Noise was a crucial factor in the demise of the SST, and now promises to limit the potential of "short-take-off-and-landing" aircraft. By comparison to air transport, a heavily travelled rail line is almost silent.

D. Energy Consumption

Hardly a day goes by without a new warning about the approaching energy crisis. The current focus is on oil. The Secretary of the Interior has urged the public to rely more on public transportation and less on private autos. There is a widespread assumption that gasoline will be in short supply this summer. The President has issued a set of priorities for petroleum users. Gas rationing may have to be invoked, and it has even been suggested that a nationwide highway speed limit of 50 miles an hour be imposed. At the very least, there will have to be increasing reliance on foreign sources of oil, with serious adverse impact on the balance of payments and possibly on foreign relations. A recent study prepared for Amtrak found the following relative consumption of energy per passenger mile by different modes:

Rail	1.0
Auto	2.5
Air	5.7

Hence it seems that a major governmental commitment to modern rail passenger service would be an appropriate response to the energy crisis.

E. Fixed Plant Investment Economics

New expressways cost a minimum of \$1 million per route mile even if built through open countryside. In built-up urban areas, the cost is \$10 million per mile on up. The economics of future airport construction are equally bleak. As new airports will have to be built farther and farther away from the center of the metropolitan areas they are designed to serve, substantial sums must be spent on providing high-speed access to and from the airport. The new Dallas-Fort Worth airport will cost, exclusive of access roads, about \$250 million. The estimated cost of a new jetport for New York City is \$400 million at a minimum.

By contrast, existing rail tracks and rights of way can be economically upgraded in many places for high-speed service. Intensive research and development efforts are underway in the United States, Canada, England, Russia, Germany, and Japan to develop trains

which can operate at much higher speeds than at present on conventional railroad tracks.

F. Operating Costs

For one person, at least, trains are more economical than automobiles. This relationship will in the near future become even more pronounced as gas mileage declines on account of anti-pollution controls, and as gas shortages develop. For short to intermediate distances, trains are cheaper than planes. Railroads are the most efficient of all carriers for mass movements -- sports events, seasonal and holiday peaks, and national emergencies.

II. Attractiveness of Rail Service to Travelers

We believe that trains either have now, or could have in the future, a number of distinct advantages from the viewpoint of the traveler in comparison to other modes, provided that high standards of operation and service are enforced:

Speed -- The New York-Washington Metroliner and a number of foreign trains are considerably faster than autos or buses, and are time competitive with air travel when account is taken of the time needed to get to and from

airports. With a relatively modest speed-up on most runs, trains would be faster than highway travel.

Dependability -- Trains do not get snarled in the traffic jams and airport stack-ups that frequently occur in bad weather.

Relaxation -- For many people, driving in heavy traffic and on high-speed expressways is nerve-wracking and fatiguing. Train riders are free to work, read, play cards, watch the passing scene, or sleep. While this is true in theory for air travel, some people are psychologically averse to flying, and even some regular air travelers undergo a degree of tension during their trip. Also, the elapsed time of an air journey is broken up by hectic transfers to and from ground transportation. Moreover, trains are roomier than buses or airplanes, and are potentially quieter and smoother.

Safety -- Over the past twenty years trains have been over 20 times safer than autos, twice as safe as buses, and three

times as safe as airplanes on the basis of fatalities per million passenger miles.

It is sometimes argued that while trains have large potential for short-to-medium distances in high-density corridors, there is no longer a place for long distance trains in view of the tremendous speed advantage of air service. While we certainly agree that Amtrak's major emphasis in terms of capital improvements should be made in the corridors, we believe that a basic long distance network should continue to be operated. First, trains offer a unique sight-seeing advantage to tourists and vacationers, especially on the scenic transcontinental routes. The air traveler will see a relief map of the country if he is lucky; otherwise he will see the clouds. The automobile is not ideal for long vacation trips because by day the driver must keep his eyes on the road and by night he should stop for sleep. Second, a significant number of people resist air travel for physical and psychological reasons. They are entitled to an alternative on long trips as well as on short trips. A recent DOT staff study found that 13% of all Amtrak riders during fiscal year 1972 changed trains en route, which indicates a significant

"hard core" ridership dependent upon an interconnecting network of service.

Amtrak's experience to date, even with all its disabilities and shortcomings, is evidence that people want and will use rail passenger service. On the entire Amtrak system, ridership was up 11% in the period May-November, 1972, compared to the same period in 1971. In the Northeast Corridor, ridership was up 17%. Most other corridors were up even more. A majority of long haul runs were up, topped by the Seattle-Los Angeles run with a 92% increase. The latest data available to us is for the second week in April. Thirty-one routes showed increases, compared with only twelve showing decreases, as against the same week a year ago. Major Amtrak routes showing increases included Boston-New York which was up 35%; New York-Washington, 21%; New York-Chicago, 51%; ^{New} York-Florida, 32%; Chicago-Milwaukee, 33%; Chicago-Detroit, 41%; Los Angeles-San Diego, 119%; Los Angeles-Oakland, 125%; and Oakland-Seattle, 231%.

The relatively good showing of the New York-Chicago route is interesting in view of the rough-riding track and poor on-time performance. At least part of the answer is supplied by the DOT "connectivity" study, which shows that 50% of Broadway Limited riders during fiscal year 1972 changed trains at Chicago. This experience emphasizes the importance of connections to

some major Amtrak routes, and indicates that a good portion of New York-Chicago patronage is not being attracted to the Broadway on its own merits, but is simply enduring it as a means of reaching western connections.

There seems to be some correlation between ridership increases and on-time performance. New York-Albany-Buffalo showed a very small increase; its on-time performance is around 50%. Los Angeles-San Diego, Chicago-Milwaukee, and Chicago-Detroit, which had large ridership increases, also have had consistently good punctuality.

Amtrak has been criticized by the motor bus industry on at least two grounds:

- Amtrak is unfair subsidized competition for bus companies, which are being hurt by such competition
- Most of the services performed by Amtrak could be accomplished more efficiently by buses.

The "unfairness" argument can be quickly disposed of. First, upon the coming of Amtrak on May 1, 1971, about half of the intercity passenger trains in the country were discontinued, leaving many communities without

train service, and thus giving a substantial windfall to bus operators. Second, bus patronage has increased, not decreased, for comparable periods since Amtrak began. The DOT reports that for the third quarter of 1972, the number of intercity bus passengers increased 22% over the same period in 1971, which was after the mass discontinuance of passenger trains. Third, a recent survey of passengers on Amtrak long-distance trains indicated that only 5% of the interviewers normally used buses for long trips. Finally, the Amtrak fare cuts on the New York-Boston run -- vigorously criticized by the bus industry -- resulted in an increase in Amtrak revenues sufficient to reduce the operating deficit on that run, and thus reduce the need for subsidy.

Studies in years past have indicated that heavy vehicles -- trucks and buses -- do not pay their full share of highway user charges in relation to the highway wear and tear they cause. Furthermore, it has been estimated that since World War I, at least \$100 billion of the total of almost \$400 billion that has been spent on highways by all levels of government was not recovered by user charges of any kind. The bus industry along with other highway users was a

direct beneficiary of this largesse.

Bus industry spokesmen have pointed to certain low ridership, high deficit Amtrak runs and have asserted that the people could be moved more economically and with less energy consumption by bus. In the short run, this may be true. But as Amtrak improves its service and its operations, its revenue-expense ratios will look much better. But an even bigger problem with this anti-Amtrak argument of the bus people is that buses do not have the capability that modern trains have of attracting large numbers of people away from automobiles and airplanes. Relieving pressure on highways and airports is the principal reason why the government has undertaken a passenger train program.

If reliance were placed on buses, one of two things would have to be done in order for buses to draw large numbers of people away from autos and airplanes -- either add considerably more width and leg room to the seating, or provide sufficient subsidy so that bus fares could be set low enough to cancel out the other advantages of autos and planes. The first approach would undoubtedly force substantial increases in bus fares on account of reduced seating capacity, thus becoming self-defeating. Also, a necessary consequence

even if bus patronage did not increase would be an increase in the number of buses which would have an adverse effect on traffic congestion, air pollution, and noise levels. A reduction in bus fares sufficiently low enough to attract large numbers of motorists and air travelers would undoubtedly cost the government more over the long run than providing modern train service -- and again, would require a large increase in the number of buses with all their environmental drawbacks.

In any event, it seems clear that the bus industry has been helped, not hurt, by the coming of Amtrak, and that when viewed in the context of history, government aid to Amtrak is not unfair. There is certainly a need and place for bus service as well as train service. Instead of attacking Amtrak, bus operators should concentrate on the substantial markets available to them which can never be effectively reached by trains.

III. Rail Passenger Service and the Federal Budget

Some people sincerely believe that an adequate national passenger train system will require excessive government spending. A look at the much-publicized Federal budget for fiscal year 1974 decisively refutes

this contention. The following transportation items in that budget will be financed entirely from general funds as distinct from user charges:

Airways Control System Operations	\$587 million
Installation and Materials	120 million
Maintenance	300 million
Administration of Flight Standards	160 million
Miscellaneous	<u>58</u> million
Total	\$1.225 billion

Local Service Airlines --

Direct Subsidy	66 million
Urban Mass Transit (Budget authority)	450 million

Waterways

Construction	172 million
Maintenance	<u>248</u> million
Total	420 million

Merchant Marine

Ship Construction	213 million
Operating Subsidies	<u>247</u> million
Total	460 million

GRAND TOTAL -- MAJOR PROGRAMS

General fund transportation spending --	\$2.555 billion
--	-----------------

If a Federally-financed intercity rail passenger program can be justified on its merits -- and for reasons already discussed, we believe that it can -- then it seems absurd to say that the Federal budget, which already calls for over \$2-1/2 billion for other transportation projects, cannot afford to provide more than \$93 million for Amtrak.

Also relevant is cumulative Federal spending over past years on various modes of transportation. Figures collected by the Association of American Railroads indicate that since 1946 the following outlays have been made from general tax revenues:

Waterways	7.0 billion
Airline cash subsidy	1.2 billion
Airports-Airways	12.3 billion */
Merchant Marine	<u>6.2</u> billion
Total	\$26.7 billion

These figures indicate that were the Federal government to spend one billion dollars a year of general tax revenues in each of the next five years on railroads,

*/ Excludes \$2.2 billion covered by user charges collected since 1963.

the total would not be at all disproportionate in relation to what has been and will continue to be spent on other modes.

Up to this point, no account has been taken of the gigantic Federal spending on highways financed through user charges. Such spending has totalled \$68.7 billion since 1946. While the bill was paid by taxes specifically targeted on highway users, the fact remains that if it were not for the coercive force of the Federal taxing power which guaranteed that funds would be available, very few of the highways financed thereby would have otherwise been built. And as I noted earlier, state and local governments have spent over \$100 billion on highways from general tax revenues other than user charges.

All this is not to say that we are satisfied that the traveler and the taxpayer are getting their money's worth from Amtrak as it is now functioning. As I will discuss shortly, we believe that Amtrak has some serious problems, which Congress should endeavor to remedy. In particular, the current level of Amtrak operating deficits is too high in relation to benefits received by the public. However, Amtrak's current shortcomings cannot and must not be allowed to obscure the basic reality that we need modern rail

passenger service and that it can be provided at reasonable cost, both in relation to the benefits it will return and to the other claims on the Federal treasury.

Experience with the local service airline subsidy indicates that during the period 1953-1970 the amount of subsidy per passenger mile and per passenger trip declined dramatically, due to the tremendous increase in air travel and to the technological improvements in aircraft. A similar result might be achieved by Amtrak provided that the right service and pricing policies were adopted. A recent study done for our affiliate RAIL Foundation by R. L. Banks & Associates recommends that Amtrak maximize benefits per dollar of subsidy by substantially lowering fares on long distance trains during the off-season. I will supply a copy of this study to the Committee as soon as it is ready.

IV. Evaluation of Amtrak Performance

It follows from the foregoing discussion that we strongly support the Amtrak concept, and will support the continuation of Amtrak with increased funding provided that Amtrak functions efficiently and effectively. Unfortunately, for reasons which I will now set forth, we believe that Amtrak has not come to grips with fundamental problems which confront it, with the result most of its services are deficient in quality and excessive in operating costs. The Congress must see remedial action is taken in return for any further appropriation of public funds for Amtrak's use and benefit.

In fairness to Amtrak, its record to date has not been entirely negative. It has increased the frequency of the popular Metroliner service between New York and Washington, and reduced fares between New York and Boston. It offers rental automobiles to its customers at some destination points for little more than the price of gasoline the customer uses. It has improved its ticketing and reservation procedures; increased its mail and express revenues; and established good relations with tour and travel agents. But its record as a whole has been a disappointment.

A. Routes and Services

Amtrak today has no service to Cleveland, Ohio, which has a metropolitan area population of over two million. Amtrak does not serve Dallas, Toledo, Akron, Tulsa, Little Rock or Des Moines. Its trains between Chicago and Los Angeles bypass the populous cities of southern Arizona, which are also important centers for winter vacationers. Its trains between Chicago and San Francisco bypass the spectacularly

scenic Colorado Rockies west of Denver.

The Department of Transportation has recommended that Amtrak discontinue its service between Chicago and Florida, and between Pittsburgh and Kansas City. Amtrak has apparently acquiesced in these suggestions, as indicated by testimony of Amtrak's president before the House Appropriations Committee. Discontinuance of these routes would leave a number of additional large cities without train service. Attached to this statement is a detailed analysis of these proposed discontinuances, including our recommendations for improved and re-structured service.

Except for a few limited arrangements that had been in effect prior to Amtrak take-over of service on May 1, 1971, Amtrak has done virtually nothing to establish connecting bus service between smaller communities and the points served by its trains.

While some progress has been made in attracting mail and express traffic, we believe that Amtrak has barely scratched the surface compared to the potential inherent in the total volume of mail transportation. In particular, we would like to see Amtrak explore the possibilities of handling mail in containers and in "piggyback" highway trailers.

B. Schedules and On-Time Performance

Amtrak schedules on most routes are slower - in some cases much slower - than the best schedules ever operated. The following table, which appeared in the June 1972 issue of TRAINS magazine, compares Amtrak schedules to the "best ever" schedules and to bus schedules. The Amtrak schedules are those of November 1971; since then, some runs have become slower yet.

BEST TIMES ON INTERCITY RUNS—PRESENT AND PAST

COMPARATIVE TIMES BY BUS

Between (listed in order shown in Amtrak public timetable)	Current best time (November 14, 1971)		Previous best time, and year established		Current best time by bus	
	Hr.	Min.	Hr.	Min.	Hr.	Min.
Boston-New York	PS	3 45 T	GC	3 39 T (1969) SS		
	PS	4 20 C	GC	4 00 C (1949)	4	10
			GC	3 55 C (1954) ††		
New York-Washington		2 52 M		2 30 M (1969)	3	57
		3 44 C		3 20 C (1967)		
Boston-Washington		7 00 MT	**	7 00 MT (1971)		
		8 30 C		8 15 C (1949)	8	27
New York-Buffalo		8 05 %		7 25 (1956)	8	05
New York-Miami		23 45 WS	**	23 45 WS (1971)		
		25 05 Y3		24 00 Y5 (1955)	27	00
New York-Chicago		18 25 CL#		15 30 (1947)	16	30 CL
New York-Cleveland		11 35 #		10 33 (1981)	8	55
Cleveland-Chicago		6 30 #		5 30 (1940)	6	25
New York-Chicago		16 50 P		15 30 (1954)	16	30 CL
New York-Pittsburgh		8 44		7 49 (1954)	7	04
				7 30 A (1956)		
New York-St. Louis		21 15		19 10 (1958)	20	05
St. Louis-Kansas City		5 35 MP		4 55 MP (1946)	3	59
				4 50 W (1946)		
Chicago-Minneapolis		7 29 CH		6 45 CH (1940)	8	50
				6 30 CS (1940)		
Chicago-St. Louis		5 15		4 55 (1936)	5	30
Chicago-Detroit		5 50		4 45 (1936)	5	15
				4 20 A (1936)		
Chicago-Cincinnati		6 25‡		5 15 (1941)	6	04
Chicago-Houston		26 55		24 50 (1954)	30	45
Chicago-Los Angeles		40 05		39 30 (1954)	48	55
Chicago-Denver		17 15		15 35 (1946)	23	50
Chicago-Oakland		47 45 BU		39 02 O (1939)	49	05
Chicago-Seattle		46 14		42 45 (1962)	50	55
Chicago-Portland		50 20 SC, SW		39 45 (1936)	54	30
San Francisco-Los Angeles		—		9 30 (1940)	8	00
Los Angeles-Oakland		10 10		9 36 (1940)	7	35
Portland-Oakland		16 20 SW		14 55 (1958)	12	35
Seattle-Portland		3 45	**	3 30 (1971)	3	05
Los Angeles-San Diego		2 45		2 15 (1941)	2	04
New York-New Orleans		28 53 SW		28 20 (1952)	30	30
Washington-Arlington		13 15		12 40 (1948)	13	25
Chicago-Miami		35 10 &		29 10 (1940)	32	50
Chicago-New Orleans		16 59		15 55 (1947)	20	25
New Orleans-Los Angeles		44 10 SW		41 45 (1953)	44	00

** Established by Amtrak.

†† Schedule of eastbound *Adonias* Merchants from April 1964 to April 1966 in public timetable; working timetable showed 8 hr. 57 min.

§ Time of Lake Shore, discontinued January 6, 1972. Best time now is 6 hr. 15 min.

Discontinued January 6, 1972.

Δ Since lengthened to 8 hr. 55 min.

1 Since lengthened to 8 hr. 15 min.

A Aerotrain experimental schedule.

C Conventional train.

M Microliner.

O Via Cleveland Route (C&NW-UP-SP).

P Via Pittsburgh.

T TurboTrain.

W Via Washburn Railway.

SS To or from Bush Bay Station in Boston.

BU Via CS&Q east of Denver, thence UP-SP.

CB Via Burlington Route.

CL Via Cleveland.

CM Via Milwaukee Road.

CO To or from Grand Central Terminal in New York.

MP Via Missouri Pacific.

MT Milwaukee-Turbo connection at New York.

PS To or from Pennsylvania Station in New York.

SC Via connection at Seattle.

SE Winter season service.

TS Two-around service.

SW Three times weekly.

Since the time the above Amtrak schedules were in effect, there have been further slowdowns:

	<u>11-71</u>	<u>5-73</u>
New York - Albany	2:40	2:50
New York - Buffalo	8:05	8:30
Chicago - Cincinnati	6:25	7:45
Chicago - Miami	35:10	38:50
Chicago - Louisville	7:10	8:30

Amtrak's on-time performance on its major routes in 1971 was quite mediocre, but 1972 and the first three months of 1973 were worse:

Railroad	Route	%OT Yr. 1971	%OT Yr. 1972	%OT Jan-Mar. 3 mo. 1972	%OT Jan-Mar. 3 mo. 1973
	New York-Washington				
PC	Metroliner	72	76	74	73
PC	Conventional	80	95	93	95
PC	New York-Boston (shore)	87	72	78	84
PC	New York-Buffalo	82	78	82	48
PC	New York-Chicago	67	49	58	22
PC, RF&P					
SCL	New York-Florida	59	55	55	40
C&O	Cincinnati-Washington	70	55	70	25
ICG	Chicago-Carbondale	79	72	83	22
PC	Chicago-Detroit	82	91	94	78
MILW-ICG	St. Louis-Chicago-Milwaukee	73	70	75	68
MILW	Chicago-Milwaukee	98	92	94	96
PC-L&N-					
SCL	Chicago-Florida	34	57	66	28
ICG	Chicago-New Orleans	44	21	33	6
ATSF	Chicago-Houston	88	78	79	49
ATSF	Chicago-Los Angeles	61	62	70	62
BN	Chicago-Denver	67	63	95	90
BN-UP-SP	Chicago-Oakland	58	59	78	24
MILW	Chicago-Seattle	64	59	71	52
MILW	Chicago-Minneapolis	99	86	88	N/A
MILW-BN	Chicago-Spokane	97	63	70	64
SP	New Orleans-Los Angeles	60	59	57	54
BN-SP-					
ATSF	Seattle-San Diego	45	56	71	22
BN	Seattle-Portland	79	83	84	88
SP	Oakland-Los Angeles	88	86	94	84
ATSF	Los Angeles-San Diego	81	95	96	96
	ALL CORRIDOR	82	82	87	77
	ALL LONG DISTANCE	56	53	62	36

A train is considered late if it arrives at its final destination 6 or more minutes behind schedule.

Amtrak's mediocre and worsening on-time performance is all the less impressive in view of its heavily "padded" schedules.

On-time percentage tells only a part of the story; average minutes late is also important. When some Amtrak trains run late, they run very late. The Broadway Limited - which Amtrak bills as a "premier, all-refurbished" train - has recently been 45 minutes or more late whenever I have been on it from Chicago to Washington. The Illinois Central Gulf trains between Chicago and New Orleans have averaged between 2 and 4 hours late in recent months; those between Chicago and Carbondale, an hour late.

C. Service Quality

Service on board Amtrak trains, in Amtrak stations, and over Amtrak telephone lines varies in quality almost as much as it did during the days when passenger service was handled by the individual railroads. On the Metroliners and on a few western lines, service has been reasonably good. Elsewhere, passengers have had to endure far too many instances of

- dimly lit, unclean stations
- poor housekeeping of cars en route
- no window washing en route
- poor window washing by terminal forces
- fogged up windows
- indifferent personnel
- air conditioning failures
- rough rides
- electrical failures
- inoperative doors and other mechanical defects
- truck noise and a variety of other rattles
- lack of available equipment to meet peak season demands
- recurring equipment shortages even during off-seasons
- lack of parlor car accommodations on some trains
- absence of dome equipment on some scenic routes

Food service has in general improved since Amtrak began operations. However, some trains offer only a limited snack service where a more complete meal selection would be desirable. The expense of conventional dining car operation makes it imperative that airline type meals be

provided on short-to-medium distance trains, yet the quality of Metro-liner meals of this kind is considerably below that of airlines on flights of comparable time duration. Also, we believe that Amtrak should experiment with off-train carry-out food facilities on the station platforms, as is common in Europe.

Amtrak has improved its reservation, ticketing, and information service since the chaotic days of 1971, but we still get too many complaints in this area. Speed of handling telephone requests, and speed of issuing tickets at counters, is well short of airline performance.

D. Operating Expenses

As everyone is painfully aware, Amtrak is continuing to run a sizeable operating deficit. One side of this coin is revenues, which unquestionably have been depressed to some extent on account of the service deficiencies already discussed. However, indications are that Amtrak has been no more successful in controlling expenses than it has been in maximizing revenues.

Excessive operating costs plague virtually every facet of Amtrak operations. Obsolete labor work rules, a subject which I discussed in some detail before this committee in late 1971, have not been changed since Amtrak took over. Obsolete equipment, stations, terminal facilities, and shops are also a culprit. Finally, despite the fact that Amtrak is supposed to be a single national entity, many of its functions are still being handled by the individual railroads in their own individual facilities. For example, in Chicago, all Amtrak trains operate out of Union Station. However, trains running on the Burlington Northern are serviced in the Burlington Northern facilities; trains running on the Penn Central are serviced in the Penn Central facilities; and trains running on the Santa Fe are serviced in the Santa Fe facilities. The waste in all this is obvious.

V. Causes of Amtrak Deficiencies

A. Amtrak Mismanagement

Amtrak's chief executive officer had no background or experience in the railroad industry before he took the job. While a good case can be made that railroad management lacks the necessary imagination and commitment to make a go of passenger service, and that adoption by Amtrak of airline service and marketing concepts is essential to its success, the fact remains that Amtrak is responsible for running trains rather than flying airplanes. Amtrak's uninspiring performance to date convinces us that solid railroading experience is an essential qualification at the top management level.

A little later on we will have something to say about the uncooperative and obstructive role that some of the railroads have adopted towards Amtrak operations. However, we believe that a good part of these troubles could be averted if Amtrak has a management whose professional expertise in railroading could not only command respect from the railroad people, but could enable Amtrak to adequately monitor its day-to-day train operations to pinpoint trouble spots and to take specific, timely corrective action. And a management which, if direct handling with a railroad failed to achieve results, would not hesitate to undertake legal, political, and public relations action to force a change in the railroad's position. In too many instances, Amtrak has simply thrown up its hands in despair in the face of railroad obstructionism.

What Amtrak lacks at the top management level in railroad expertise, it has in great plenty on its board of directors, three of the members of which are the presidents of the Penn Central, the Burlington Northern, and the Milwaukee Road. The only trouble is that these gentlemen are drawing their pay checks from their respective railroad companies rather than from Amtrak. They have publicly stated - in one instance, to a network

television audience - that they believe there is no need and place for rail passenger service outside the Northeast Corridor. Such talk is not exactly helpful to Amtrak. Moreover, these men believe that the Amtrak stock which their railroads own is virtually worthless. Under all the circumstances, we must assume that the railroad presidents view their Amtrak board positions as a means of protecting the interests of their own freight operations rather than promoting the interests of Amtrak. While Amtrak board meetings are not open to the public, we are told that the railroad presidents have repeatedly taken a negative position on matters that have come before the board, especially on proposals for expansion of Amtrak services.

During the entire time Amtrak has been in existence, the railroads have had their full representation of three directors. By contrast, the seat on the Amtrak board designated by law to be filled by a consumer representative has been vacant for almost two years. And now, Amtrak is going all the way to the United States Supreme Court in an effort to prevent consumer organizations from bringing legal actions to enforce the Amtrak statute.

There is almost universal agreement that Amtrak is seriously underfunded, and that the government will have to provide far more money than is presently authorized if the U.S. is ever to have truly modern passenger service. Yet in May 1972, the Amtrak president rejected an offer by the Senate to provide additional funds. He said that the amount suggested was more than Amtrak could "sensibly" spend.

Some of the decisions on routes and services can be attributed to decisions of the board of incorporators before the present management joined the company; to resistance by the railroads; and to bad track and roadbed on what otherwise might be the more desirable routes from

a marketing standpoint. Nevertheless, Amtrak management must assume responsibility for the incredible bungling of the Chicago-Florida service described in the appendix of this statement, and for Amtrak's failure up to now to restructure its original route pattern to provide service to Cleveland, and between the midwest and southern Arizona. Amtrak indecision and vacillation played a large part in the decision to establish the Texas-Mexico service as an "orphan" operation originating in Fort Worth rather than as an extension of through service from Chicago.

Last year, the Congress required that insofar as practicable, Amtrak should directly control and operate its own service with its own employees and supervisors. In our view, Amtrak has not complied with this law. As of the present time, the only significant category of employees who have been taken over by Amtrak are ticket and reservation clerks. With exception (the Washington-Montreal trains), the only Amtrak employees onboard any train are the passenger service representatives, who have no power or authority over any other employee on the train. Conductors, who are in actual charge of the train and who greet the passengers and collect the tickets, and are thus the custodians of Amtrak's revenue, are still employed by the railroads. Of a total of approximately 11,000 employees who are involved full-time in Amtrak passenger services, only about 2600 were directly employed by Amtrak as of April 15, 1973 - the rest were employed by the railroads.

When I appeared before this committee in October 1971, I discussed in some detail the reasons why we believe it is essential for Amtrak to control and operate its own personnel and supervisors. The Department of Transportation in its March 15, 1973 report on Amtrak states its general agreement with our position on this question:

The rationale is sound. If such positions are filled by Amtrak employees, there is no problem of divided loyalties, job assignments may be more flexible, and managerial and supervisory control is in the hands of Amtrak. Most important, Amtrak can establish its own reputation with the traveling public. By using its own work force, Amtrak expects to save money, have greater flexibility and efficiency, provide more uniform service, and develop a reputation for passenger-oriented service.

The DOT reports that Amtrak plans to establish a new position of Train Director, who will be in overall charge of on-board services on each train. We strongly support this program, and believe that the Train Directors should assume the passenger-contact functions now performed by the railroad conductors- collecting tickets, handling cash fares, and overseeing the correct assignment of reserved accommodations. The importance of these functions to Amtrak is obvious. Moreover, Amtrak is presently endeavoring to obtain a much more accurate day-to-day passenger count than is currently available. The success of this project depends upon the full cooperation of whomever is collecting tickets in submitting timely and accurate reports. Finally, by the very nature of his duties, the person collecting tickets must periodically go from one end of the train to the other - and hence is in an ideal position to monitor and supervise all on-board services.

The DOT states that Amtrak is not now planning to take over the terminal servicing yards where light repairs and cleaning operations are performed. We believe that Amtrak must take over these facilities as soon as possible. Deficiencies in housekeeping and mechanical condition of equipment, together with excessive expense, are traceable in good part to the present railroad control of these facilities. I have already described the situation in Chicago where terminal servicing is handled by individual railroads at three or four separate locations, despite the fact that all Amtrak trains operate out of the same station.

An increasing number of delays to Amtrak trains are being caused by servicing in stations:

August 1972	520
September	505
October	384
November	774
December	1659
January 1973	290
February	1288
March	1243

It is reasonable to assume that an important factor behind this poor performance is that the work is being done by railroad employees who are without sufficient supervision and incentive to do a good job. If so, the only solution is for Amtrak to take direct control.

Yet another reason for direct Amtrak operations is that the present contracts between Amtrak and the railroads provide for reimbursement to the railroads of identifiable expenses plus a 5% override. Thus the railroads have a positive incentive to pad the bills they send to Amtrak so that they will get paid more under the 5% override.

At the same time as Amtrak has been dragging its heels on taking direct control over operations, it has managed to spend at least \$100,000 designing new uniforms for employees not even on its payroll.

Amtrak has badly mismanaged its equipment program. Instead of buying equipment wholesale from all the railroads (rather than just the Santa Fe), it attempted to pick and choose from among existing equipment in terms of the condition of individual cars. The consequences of this approach were that work on refurbishing cars was delayed for several months, and that because of equipment shortages, Amtrak had to go back to the railroads at a later date and purchase or lease cars which it had originally rejected. At the same time, Amtrak arbitrarily refused to purchase good equipment from railroads which did not "join" Amtrak. Furthermore, Amtrak did not purchase the very best cars owned by at

least two railroads - the Union Pacific and the Santa Fe.

Partly as a consequence of the delay in acquiring equipment, Amtrak made the fatal error of not initially seeing to it that its cars were thoroughly rehabilitated from the wheels up rather than merely being given a face-lifting. The refurbished cars, with their bright new stripes, new carpets and new upholstery look beautiful while sitting in stations on display for the edification of very important persons. However, once they are in motion - which after all is the whole idea of transportation - they become chambers of aggravation complete with air conditioning failures, heating failures, electrical failures, rough and noisy riding trucks, and an untold variety of squeaks and rattles. In some cases, windows which were fogged up between the panes were not even replaced. In other cases, Amtrak permitted defective windows to be replaced with Lexan, a plastic-type material which is quickly marred by automobile window washing equipment, making the window difficult to see out of from the inside, and making the window appear from the outside like it has been coated with a diesel exhaust fumes.

Amtrak now maintains that it is doing a much more complete rebuilding job. However, I haven't seen much evidence of this on my frequent trips on the Broadway Limited.

Amtrak has apparently failed to capitalize on the opportunity presented by its refurbishing program to standardize such items as electrical systems, air conditioning systems, and door closers. If a part needed replacing, it was simply replaced in kind. Moreover, we believe that Amtrak should replace the steam heating apparatus on all its cars with electric heating supplied by power generated by the locomotive. This would enable the elimination of steam lines, generators, and batteries from the cars, and the elimination of steam generators from locomotives.

The savings in operating and maintenance expense would be impressive, and the problem of frozen steam lines would be permanently banished. We are told that the cost would be between \$15,000 and \$25,000 per car, which seems reasonable in view of the impressive total benefits.

One might ask at this point whether instead of spending the money to properly rebuild its existing fleet, Amtrak might be better off to replace it with all new equipment. We do not think so.

First, research and development on equipment technology is in a great state of flux. Different kinds of high-speed trains are undergoing tests in several different countries. None has yet been perfected to the point where reliable, low cost performance can be assured. We think that Amtrak would be foolish to make a major commitment now for a large amount of new equipment. Three to five years from now, it will be in a much better position to determine just what type of new equipment will work best, and place orders accordingly.

Second, we believe the economics of rebuilding present equipment are basically favorable. For \$100,000, an existing car can be rebuilt to provide a high standard of service at a reasonable operating and maintenance cost. New cars of conventional design would cost around \$300,000 each.

We are told that Amtrak is taking an awful financial beating on the prices it has paid to some railroad shops for "refurbishing." A suggestion that appears to have merit is for Amtrak to build its own new ultra-modern car shop, where all repair and rebuilding work could be conducted with maximum efficiency and economy. There has been talk of Amtrak acquiring the Penn Central shops at Beech Grove, Indiana, but this has apparently been shelved for the time being.

This is not to say Amtrak should not be buying any new passenger cars at this time. We think that purchase of 100-200 new conventional

coaches would be well worth while; these cars should initially replace the Penn Central junk in use on the Boston-New York run. When that route is converted to high speed technology, the cars would find plenty more years of service on other routes of the Amtrak system.

It has been suggested to us that Amtrak itself should be undertaking some of its own research and development on equipment rather than leaving this vital function to the suppliers, the Office of High Speed Ground Transportation, and foreign countries. For example, Amtrak should explore the possibility of using a variety of service arrangements - coach, sleeping, dining, lounge, parlor - in a basic high-capacity car similar to the Santa Fe "hi-levels" and the Chicago area double deck commuter coaches. The potential in operating expense savings with such equipment is impressive; a long distance train now requiring two locomotives and thirteen cars could be reduced to one locomotive and five cars while retaining a capacity of 250 people.

Amtrak presently plans to initiate high-speed "Turbo Train" service sometime this summer between Chicago and Milwaukee and between Chicago and St. Louis. The only problem is that it may not be very high speed. Speed limits on these lines are 70 and 75 respectively, and I know from personal experience that any faster operation would probably be unsafe unless substantial work is done on the track and roadbed. I have heard of no plans by Amtrak to accomplish this. Furthermore, the most salient feature of Turbo Trains is their ability to negotiate curves at considerably higher speeds than conventional equipment. The routes selected, however, are among the straightest in the nation. All considered, we believe that the proposed Turbo Train services represent a mis-use of this expensive, sophisticated equipment.

Early this year, Amtrak put out an edict that all cars operated

on certain "premier" trains be of the "refurbished", repainted variety. Although Amtrak denies it, our west coast members insist that on at least two occasions this year, a number of people who wanted to ride the train were left waiting at the station because there was no room for them on the train, even though there were plenty of extra cars available which had not yet been repainted in Amtrak stripes. What is not denied by Amtrak is that it has told private car operators - who are devoted to the cause of rail passenger service and who have provided thousands of dollars of revenue to Amtrak - that they must at their own expense repaint their cars in Amtrak stripes or else not be handled in Amtrak trains. The other morning this petty harassment crossed my mind as I arrived in Washington Union Station on the Broadway and noticed that even the baggage car was done up in Amtrak stripes. The only problem was that the car was so filthy that the colors were almost unrecognizable - except in those limited areas where graffiti artists had "finger painted" through the layer of dirt.

Amtrak has done very little to improve service and reduce expenses by rebuilding or replacing outmoded stations and terminals. Only one new station has been completed (Cincinnati); one more is currently under construction (Jacksonville). The new station in Cincinnati is located under a highway viaduct next to two junkyards.

One station project that Amtrak did execute was the much publicized consolidation of Chicago operations into Union Station. However, as has already been noted, the separate terminal servicing areas were left in the hands of the individual railroads. ^{Moreover,} / as a consequence of the consolidation, Illinois Central trains must turn and back into and out of the station, which adds 15-20 minutes to their schedules. Amtrak has no plans for constructing a direct entry to the station for IC Trains.

I should emphasize at this point that our criticism of Amtrak management is directed towards the top level. Amtrak has a number of very talented people at the middle management level who are dedicated to the cause of rail passenger service. The only thing lacking is the same degree of commitment and determination at the top.

B. Railroad Non-Cooperation and Obstructionism

A word of caution is in order before discussing the role of the railroads in Amtrak's shortcomings. Some problems which have been laid at the doorstep of the railroads are not wholly their fault. In some instances, Amtrak's lack of operating expertise undoubtedly encouraged the railroads not to go out of their way to help it; in others, bankrupt and near-bankrupt lines simply lack the funds to make necessary improvements over lines on which Amtrak operates, even though these lines are vital for the carrier's own freight service.

A few railroads like the Milwaukee Road, Union Pacific, and C & O/B & O have done a reasonably good job for Amtrak. The Milwaukee in particular has had an outstanding on-time performance. However, the record as a whole for all railroads compels the conclusion that in general, the railroads are not satisfied with being relieved of the financial obligations of passenger service but want the trains physically removed from their tracks.

During the Amtrak incorporation period when the routes of Amtrak trains were being selected, many of the railroads pleaded with Amtrak not to use their lines, advancing a variety of arguments why their lines were not suited for passenger service, and in, some cases, why a competitor's line would be much better.

As soon as the Amtrak law was passed in October 1970 some railroads ceased doing regular preventive maintenance on their equipment, which was an important factor in the many equipment failures of 1971. Upon

the start of Amtrak operations in May 1971, at least two railroads withdrew from passenger service the modern locomotives they had been using and put them in freight service. Amtrak was stuck with the oldest, least reliable, most expensive locomotives the railroads could dig up.

The Department of Transportation alleges that "delays caused by freight operations do not appear to be a significant problem affecting on-time performance." Data supplied to us by Amtrak indicates just the reverse. Here are the number of delays on this account for each month from August 1972 through March 1973.

August	320
September	599
October	430
November	576
December	890
January	1022
February	983
March	1417

During March, freight train interference caused 15% of all delays compared to 8% for the entire year 1972, and was the second most frequent cause of delay, after slow orders on account of bad track. The record on some individual railroads was even worse.

We are told that Amtrak is pursuing - and in some instances collecting - overcharges by the railroads for provision of Amtrak services which total several million dollars a year. The railroads which own Chicago Union Station are attempting to change Amtrak "ownership" costs for the use of this station, and have filed an arbitration claim to enforce this demand.

The railroad industry is now demanding that Amtrak pay an additional \$84 million (\$32 million to Penn Central and \$52 million to the other lines handling Amtrak trains) as compensation for services rendered Amtrak. This demand is based on the theory that the Amtrak statute entitles the railroads to be paid on the "fully allocated" cost formula rather than on an "avoidable cost" basis. The additional monies would not buy a dime's worth of new equipment or improved track and roadbed; they would simply enrich the railroads for the far-from-satisfactory service they are now providing for Amtrak.

This question is now before the Interstate Commerce Commission, with a decision expected by June 25. Our Association is participating in the proceeding. For reasons indicated in our presentation to the Commission, a copy of which I have with me today and which I would like to have included in the record of these hearings, we believe that the Congress intended that avoidable costs should be the standard of compensation to railroads by Amtrak. Should the Commission side with the railroads on this issue, we urge that this committee act promptly to clarify the law by amending the statute to specify that "just and reasonable" compensation means compensation for the avoidable cost of providing Amtrak passenger service

The demands of the railroads make a mockery of repeated statements of industry spokesmen that the railroads want Amtrak to succeed and will give their full cooperation to that end. The demands are even more outrageous when viewed in the light of the very substantial benefits which have accrued and will accrue to the railroads as a result of the enactment of the Amtrak law. Writing in Railroad Industry Review 1971, published by Reynolds Securities, Inc., respected securities analyst

Pierre Bretey pointed out that in 1972 and later years, the railroads would save a substantial amount by virtue of Amtrak having relieved them of the avoidable costs of passenger service--and on top of that, most roads will get generous tax credits by charging the Amtrak entrance fee against operating expenses. The figures for major Amtrak roads are as follows:

<u>Railroad</u>	<u>Recurring Annual Avoidable Loss Savings from Psgr Svc Disc (millions of \$)</u>	<u>Non-recurring Tax Credits on Payment of Amtrak Entrance Fee (millions of \$)</u>
Santa Fe	23.1	25.6
Baltimore & Ohio	6.6	7.3
Burlington Northern	36.8	40.8*
Chesapeake & Ohio	5.5	6.1
Milwaukee Road	8.1	9.0*
Gulf, Mobile & Ohio	2.8	3.1
Illinois Central	7.3	8.1
Missouri Pacific	2.3	2.6
Norfolk & Western	5.6	6.2
Penn Central	66.4	73.8*
Seaboard Coast Line	24.2	26.9
Southern Pacific	11.4	12.6
Union Pacific	19.1	21.2

*Bought Amtrak stock in lieu of immediate tax credit. Tax credit will be deferred until stock is sold at a loss or declared worthless by the Internal Revenue Service.

Following is a summary of Amtrak problems with specific railroads.

Southern Pacific

For fifteen years preceeding the establishment of Amtrak, Southern Pacific was the national leader in deliberately downgrading passenger service and discouraging passenger traffic. We had hopes that the company's attitude would change with the coming of Amtrak; however, Southern Pacific has retained its dubious distinction. All the while, it has been and is one of the wealthiest railroads in the nation.

Almost as soon as the Amtrak statute was passed Southern Pacific went to work to try to have on its lines as little Amtrak service as possible. Its efforts bore fruit when the initial "basic system" report of the Department of Transportation omitted service along the west coast and between New Orleans and Los Angeles. However, in this final report in January 1971, the Secretary yielded to massive public protests and included these routes.

Our Association at this time was urging that Chicago-Los Angeles service be operated on Southern Pacific via El Paso, Tucson and Phoenix, on the theory that this route had several times the population potential as the Santa Fe route across northern Arizona. Southern Pacific's prompt reaction was to assure the partisans of the Santa Fe route that the Southern Pacific route was no good because patronage on its last train, the Golden State, had dropped off steadily for a number of years prior to its discontinuance in 1967. Of course, Southern Pacific did not tell the people that it had planned things this way all along.

On at least three occasions since the inception of Amtrak, the Southern Pacific president has stated that he sees no future for most rail passenger service, and that Amtrak's basic mission should be to achieve an "orderly shrinkage" of such service.

Southern Pacific has sturdily resisted the initiation of any new Amtrak services over its lines. It has even taken the position that Amtrak is barred by its contract with Southern Pacific from starting any service beyond what Amtrak started out with. Accordingly it has opposed the initiation of regular service in California's San Joaquin Valley, and has opposed the operation of any special trains over lines not served by Amtrak regular trains.

In late 1972, Amtrak proposed to operate a train from Chicago to

Laredo via Little Rock and Dallas. Part of the route would be over the Cotton Belt, a subsidiary of Southern Pacific, between Texarkana and Greenville, Texas. Southern Pacific-Cotton Belt claimed that this operation would require \$12 million worth of improvements in track and signalling. Amtrak declined to operate the route.

Part of Southern Pacific's objections were based on the fact that some of this route was not equipped with automatic block signals. While signals, like any other safety device, are desirable, whether or not they are a necessity depends upon the traffic density, grade and curve conditions, and operating speeds on any given route. Many thousands of miles were being operated safely in passenger service in unsignalled territory right up to the inception of Amtrak; a few Amtrak routes are unsignalled today. Southern Pacific has stated that it is opposed to operating passenger trains on any unsignalled route, which compels the conclusion that the argument is simply another dodge to avoid running passenger trains.

Amtrak now plans to operate the Chicago-Houston Texas Chief via the Southern Pacific between Dallas and Houston. Southern Pacific is again digging in its heels, claiming that Amtrak must make \$7 million worth of track improvements; sending out its agents to try to persuade people along the present Santa Fe route, together with travel agents, to oppose the plan; threatening to operate an absurdly slow schedule if forced to run the train; and forcing Amtrak to take the matter to arbitration on the ground that the operation is prohibited by the Amtrak contract. Odds on this run commencing at any time soon do not look good.

We have several knowledgeable members in Texas who have carefully investigated Southern Pacific's claims regarding the necessity for major track improvements on both the Texarkana - Greenville line and the Dallas-Houston line, and have consulted with experts on the subject. They are

of the firm belief that Southern Pacific has grossly exaggerated the track improvements necessary for safe, expeditious passenger train operation.

On another front in Texas, Southern Pacific has refused to allow Amtrak to use its San Antonio Station for the new Laredo-Ft. Worth train, even though the station is used already by the Los Angeles-New Orleans train. Amtrak has had to establish a second station at a new location.

Amtrak, noting the success of the Auto-Train operation between Washington and Florida, has proposed to haul automobiles on flat cars behind the Coast Starlight between Oakland and Seattle over the Southern Pacific. Southern Pacific promptly refused, claiming that the operation was prohibited by the Amtrak contract and besides was against California law. To the best of our knowledge, the state of California does not interpret the law the way Southern Pacific does. Amtrak has now taken Southern Pacific to court.

Southern Pacific's route over the high Sierras is one of the most scenic in the nation. Nevertheless, Southern Pacific has prohibited Amtrak from operating any dome cars on the route except its own, which have somewhat lower profiles. Southern Pacific claims that standard dome cars do not have sufficient clearance for this line, which seems a bit strange in view of the fact that Southern Pacific operates "Hi-Cube" boxcars and tri-level auto rack cars over this line every day in freight service. Some people at Amtrak are convinced that Southern Pacific's real aim is to force Amtrak to purchase the Southern Pacific dome cars at inflated prices.

Southern Pacific had the following on-time performance during the first three months of 1973:

January	56%
February	55%
March	53%

During March, 19% of all delays to Amtrak trains on Southern

Pacific were caused by freight train interference.

Southern Pacific limits Amtrak passenger trains to 70 miles an hour on almost all its routes, despite the track being in excellent condition.

Back at the turn of the century, Frank Norris wrote a famous novel called The Octopus, which told how California wheat ranchers were exploited by the Southern Pacific. Over seventy years later, railroad passengers know that the "Octopus" is alive and well - and living throughout the Southwest.

Missouri Pacific

Missouri Pacific gives Southern Pacific a good run for its money for the number one position in the anti-passenger parade. Missouri Pacific is in good financial condition and maintains excellent track and roadbed.

Since at least 1940 up to 1971, Missouri Pacific allowed a top speed of 80 miles an hour on its main lines. Knowing that Amtrak intended to operate a train over its line between St. Louis and Kansas City, Missouri Pacific in March 1971 arbitrarily lowered the speed limit on this line to 65 miles an hour. This was done to evade the provision in the Amtrak-Missouri Pacific contract, effective May 1, 1971, which prohibited railroads from downgrading facilities or lowering speed limits in effect on that date. As a consequence, the schedule on the route is 5 hours, 45 minutes, in contrast to the 5 hours even in effect for many years.

Missouri Pacific has consistently opposed efforts to establish Amtrak service over its main line between St. Louis, Little Rock, Texas, and Mexico. Last fall when the Amtrak board of directors voted to operate the route, Missouri Pacific worked assiduously to persuade public officials and the news media that the service was not needed, would lose money, and should not be started. The only portion which was eventually

started was three day a week service between Austin and Laredo. The Administration is currently impounding \$9.1 of Amtrak funds, the bulk of which was intended to finance St. Louis - Arkansas - Texas - Mexico service over Missouri Pacific lines.

Missouri Pacific has limited the speed of the new Laredo-Ft. Worth train to 55 mph. Partly as a consequence, the schedule is an hour slower than it was in 1957.

In early 1972, a bridge was washed out on the Southern Pacific line between New Orleans and Houston. Amtrak asked the Missouri Pacific to allow its train to detour over the Missouri Pacific track. Missouri Pacific refused, and Amtrak had to transfer the passengers by bus.

Burlington Northern

The chairman of Burlington Northern, who is also a member of the Amtrak board of directors, continues to make public pronouncements to the effect that Amtrak's long distance passenger trains are obsolete "stage coaches" which should be permitted to die an honorable death.

Burlington Northern's track between Chicago, Omaha, and Denver is becoming increasingly rough-riding and derailment-prone. Burlington Northern has ample funds to keep its track maintained in good condition.

We are informed that Burlington Northern's Como Shops have done the worst job of any of the railroad shops which have refurbished Amtrak equipment.

Burlington Northern is insisting that it has no obligation to operate international sources for Amtrak, and has filed a court action in support of its position, which is still pending.

Penn Central

Penn Central is in a special category all by itself because of the enormous problems it has on account of its bankruptcy and poor financial condition. Outside of the Northeast Corridor, its track and

roadbed is not fit for adequate freight service, much less fast, high quality passenger service. Many of its other shortcomings can be blamed on financial penury and/or demoralized management and personnel.

Under the circumstances, Penn Central has done a reasonably good job for Amtrak in the Northeast Corridor. However, it is demanding at least an additional \$32 million per year from Amtrak for "compensation" for services provided Amtrak. Penn Central's president, also a member of the Amtrak board of directors, says that the true amount owing is not \$32 million but \$55 million. Furthermore, Penn Central is attempting to establish that "fully allocated" costs are the correct measure of compensation. If Amtrak has to pay anywhere near an additional \$32 million per year to Penn Central, the rest of its route structure will be in great jeopardy. And if Penn Central prevails on its "fully allocated" argument, we can assume that all the other railroads will be demanding similar consideration.

Penn Central's president indicated in a speech last December that he has no interest in passenger service outside the Northeast Corridor.

Illinois Central Gulf

Illinois Central Gulf's main line track and roadbed is in terrible condition - even worse than the Penn Central, if that is possible. Amtrak trains are running hours late on account of bad track. Illinois Central Gulf and its holding company, Illinois Central Industries, have ample resources available to properly maintain track and fixed facilities. Illinois Central Gulf has indicated that it agrees with Penn Central that Amtrak should pay it on a "fully allocated" cost basis for operation of passenger trains.

Santa Fe

Santa Fe refused Amtrak's request that it provide consolidated commissary service for all Amtrak trains entering and leaving Los Angeles. Amtrak unsuccessfully took the matter to arbitration.

In late 1971, ATSF took the lead in refusing to handle on its trains privately owned passenger cars even though Amtrak requested it to do so. A number of other railroads followed Santa Fe's lead, to the considerable detriment of the private car owners and of Amtrak's tour and excursion business. The matter was finally resolved favorably when Amtrak and all the railroads agreed to a new basis for liability payments.

ATSF has resisted Amtrak efforts to reduce the operating cost during off-seasons on the Chicago-Los Angeles Super Chief by reducing the amount of dining and lounge facilities. While we yield to no one in insisting upon high standards of service, two full lounge cars seems excessive other than during summer and holiday peaks.

Louisville & Nashville

Louisville and Nashville's on-time performance for the first three months of 1973 is as follows:

January	3%
February	2%
March	ZERO

24% of the delays were caused by freight train interference. About the same proportion was caused by servicing in stations. Almost the same proportion was caused by slow orders on account of track conditions. Amtrak is now progressing an arbitration case against Louisville & Nashville for poor performance.

Louisville & Nashville has ample funds to keep its plant in good condition and to provide a high quality operation for Amtrak.

Seaboard Coast Line

Seaboard Coast Line appears to be allowing excessive delays to Amtrak trains on account of freight train interference, especially on the former Seaboard Air Line route via Raleigh and Columbia.

Southern

Southern refused to "join" Amtrak, thus depriving Amtrak of much needed funds.

Southern has refused to allow the operation of a thru dining car between New York and Atlanta via Washington, D.C. and its "Southern Crescent" between Washington and Atlanta. Southern alleges that Amtrak refuses to pay the cost of this through operation, but the price Southern is demanding is apparently considerably in excess of what Seaboard Coast Line gets for providing thru diners to and from New York on the Florida trains operated jointly with the Penn Central.

Southern is strongly opposed to the suggestion that Amtrak operate its Chicago-Florida service over Southern between Cincinnati and Atlanta. Amtrak hasn't.

Denver and Rio Grande Western

Rio Grande, like Southern, refused to join Amtrak.

During the 1971 incorporation period, the Amtrak incorporators initially determined to operate the Chicago-San Francisco California Zephyr via the Rio Grande between Denver and Salt Lake City. However, this plan was intensely opposed by DRG & W, and Amtrak finally decided to use the Union Pacific.

Western Pacific

Western Pacific had been out of the passenger business since early 1970 and hence had no incentive to "join" Amtrak. However, Amtrak initially explored the possibility of operating the California Zephyr via the Western Pacific. The response of Western Pacific's president was to cause the issuance of the following directive:

Oakland, California
April 14, 1971

File 521

TO ALL WESTERN PACIFIC EMPLOYEES:

"At the request of Mr. A.E. Perlman, President, all employees must refrain from offering any information in regard to operations in the event they are approached by representatives of the National Rail Passenger Corporation (Railpax). Please be governed accordingly."

S/F D Webb

Amtrak has yet to operate over the Western Pacific.

Other than in specific instances noted above where Amtrak has gone to court or to arbitration, Amtrak has yielded without protest to the many obstacles placed in its path by the railroads.

C. Track and Roadbed

If rail passenger service is to be operated at speed, comfort and dependability levels which will attract patronage in competition with other modes, well-maintained track and roadbed is essential. At the present time, as a consequence of track and roadbed deterioration, speed, dependability and ride quality of Amtrak trains in some major routes has declined to the point where almost the only people who will ride trains are pass holders, railroad enthusiasts, and those with an absolute mental or physical aversion toward air travel.

Outside the Northeast Corridor, the Penn Central allows a maximum top speed of 70 miles an hour. On the important line between Chicago and Detroit, the top speed allowed is 60. On the lines between Chicago Indianapolis, Cincinnati, and Louisville, there are many stretches with

"slow orders" limiting train speeds to 30 miles an hour or less. Between Springfield and White River Junction on the Boston and Maine, the maximum speed is 40. We are told that over 80% of Rock Island track is

The Illinois Central Gulf main line is now limited to 70, with numerous slow orders now governed by slow orders. / The Milwaukee Road is likewise limited to

70, and even at that pace is very rough riding. In years past, the ICG and Milwaukee lines were maintained for speeds up to 100 and accommodated the fastest passenger trains in the nation. Substandard track on the Missouri-Kansas-Texas is an inhibiting factor in the establishment of a rational Amtrak service pattern in Texas. Segments of the Louisville & Nashville and of the Burlington Northern over which Amtrak trains operate are maintained in borderline condition in relation to traffic density and train speeds.

I have already discussed Amtrak's slow schedules and poor on-time performance. Bad track is by far the most important reason for both. The DOT report on Amtrak indicates that the most frequent cause of late trains was "slow orders" imposed on account of poor track conditions.

I travel almost every week between Washington and my home in Chicago. About half of my trips are on the Broadway Limited. A month ago this train derailed in eastern Ohio, resulting in one death and a number of injuries. According to press reports, the wreck was caused by a kink in the tracks, which in turn was caused by a freight train "break-in-two" about an hour earlier. While the underlying cause of this "break-in-two" has not been pinpointed, it quite possibly was rough track conditions. When I was again on the Broadway two weeks after this wreck, I experienced one of the roughest rides I have ever had. The train currently is running about an hour or more late every day, undoubtedly on account of "slow orders". Under present conditions, I cannot urge my friends and neighbors to ride this train, and I will have difficulty

asking Congress to continue subsidizing its operating losses in the absence of a firm commitment to fix up the track.

Track and roadbed improvement is imperative if most Amtrak service in the Northeast and Midwest outside the Boston-New York-Washington corridor is not to be discontinued. Except for high density corridors, however, track rehabilitation and upgrading cannot usually be justified economically on the basis of passenger service benefits. Accordingly, justification must be found in terms of freight service benefits. If such benefits can be established on any given route, good passenger service can be operated as a "by-product" of a plant maintained for good freight service.

Past and present practices on well-managed, adequately financed railroads in all parts of the country indicate that there are definite operating and financial benefits from expeditious movement of freight trains - that is, at speeds of 50 miles an hour or over. Prior to the Penn Central merger, the New York Central allowed 60 miles an hour for freights on its important main lines. For many years 60 was standard top speed for fast freights on the Nickel Plate Road, now part of the Norfolk & Western. Southern Pacific, Cotton Belt and Santa Fe are now running freights at 70. The Santa Fe is reported to be running its "Super C" at 80. The Union Pacific is planning its track maintenance to allow for 85 mph freight trains. So it appears that maintenance of main lines for 60 mph freight service is the standard that any progressive railroad with sufficient resources should adhere to.

It is sometimes argued that over-the-road speed for freight trains is unimportant because so much time is lost in yards, terminals, etc. The answer is that both areas are important and both should be improved. Slow over-the-road train operation leads to increased costs on account of overtime payments to train crews on top of the mileage rate. The recent revision of the Hours of Service Law reducing permissible contin-

uous time on duty to 12 hours provides additional incentive for expeditious over-the-road movement of freight trains.

Over-the-road speed is of crucial importance to "piggyback" and container traffic, which spends a far smaller proportion of total transit time in yards and tunnels than does carload freight. Generally speaking, the objective of piggy back and container service is to match the door-to-door time of truck service.

The importance of adequate track and roadbed maintenance for good freight service as well as good passenger service was stressed by DOT in its Amtrak report:

"Railroad operational problems stemming from poor track maintenance are not confined to either passenger or to freight services. Almost a third of Amtrak's delays are attributable to "slow orders" -- areas in which temporary speed restrictions have been placed due to track conditions. But inadequate track maintenance has an even greater impact on freight operations; slow speeds and delays cause increased costs due to poor utilization of crews and equipment. Quality of service is adversely affected. Freight is the railroad industry's primary source of revenue. To move it efficiently requires a well-maintained plant. Therefore, adequate track and roadbed maintenance is essential."

We conclude that the Government should require general track and roadbed standards for main lines sufficient for smooth, dependable operation of freight trains at 60 miles an hour, and should provide for financial assistance for those roads unable to meet such standards from their own resources. If this is done, passenger trains could be operated at speeds of 80 miles an hour; Federal Railroad Administration track safety standards allow passenger train operation at speeds up to 80 miles an hour on any track maintained for freight train speeds of 41 miles an hour or over. And if R&D progress results in locomotives with a "feather touch" on the track, these speeds could be increased to 90 or 100.

In the Northeast Corridor and other corridors around the country

where passenger traffic potential is such that major investments can be justified on passenger service grounds, the government should provide the funds necessary to allow speeds in the 120-150 range. Among other things, it probably would be necessary to eliminate all grade crossings.

While Amtrak top management, when pressed, has conceded the importance of track and roadbed upgrading, it has consistently refused to do anything to bring this about. It takes the position that Amtrak's job is to run trains on tracks provided by the railroads, and that any program to improve those tracks is not its responsibility. This is absurd. Unless action is taken soon to rebuild track and roadbed, many Amtrak trains are certain to handle fewer and fewer passengers and run larger and larger deficits, which will inevitably lead to Amtrak's demise.

VI Legislative Recommendations

Direct operation and control by Amtrak with its own employees

Add to Section 305 (a) as amended after the third sentence:

Consistent with the requirements of this section and the provisions of this Act, the Corporation shall, on and after May 1, 1974 directly employ all persons who issue, collect, handle, assign, or otherwise control tickets, cash receipts, and reserved space assignments, and all other persons whose full time occupation is solely related to the provision of intercity passenger service provided by the Corporation.

COMMENT:

In June 1972, Congress attempted to prod Amtrak towards the goal set forth in this proposed amendment by requiring that "Insofar as practicable, the Corporation shall directly operate and control all aspects of its rail passenger service." Amtrak's slow progress in this area indicates that a more specific, mandatory provision is necessary to accomplish the desired result.

Rehabilitation of Bad Track

Add the following sentence after the first sentence of Section 602:

The Corporation shall expend such funds from proceeds of guaranteed loans as may be necessary to upgrade track and roadbed over expeditious routes between the following points to the following standards as formulated by the Federal Railroad Administration:

Chicago-Indianapolis	Class 4
Indianapolis-Cincinnati	Class 4
Indianapolis-Louisville	Class 3

COMMENT:

Penn Central track on these routes is in such bad condition that trains creep along for considerable distances between 10 to 30 miles an hour. Schedules are hours slower than were run for many years since prior to World War II. The standards prescribed would enable restoration

of top speeds of 80 between Chicago and Cincinnati and 60 between Indianapolis and Louisville. Amtrak need not stay on the Penn Central; between Lafayette and Chicago, it should consider using the Louisville and Nashville, which probably would cost a lot less to upgrade.

Allocation of Capital Expenditures

Add the following sentence after the previous new sentence in Section 602:

Not more than fifty per cent (50%) of the proceeds of guaranteed loans shall be expended for improvements to track, roadbed, and other fixed facilities in any one major geographical region of the country.

COMMENT:

This restriction is designed to prevent Amtrak from concentrating all of its resources in the Northeast Corridor to the detriment of other parts of the nation.

Restructuring of Board of Directors

Strike Section 303 and substitute the following:

(a) Terms of all directors of the Corporation in office on the date of enactment of this Section as amended shall end thirty days after such date.

(b) On and after thirty days after enactment of this Section as amended, the Corporation shall have a board of fifteen directors who are citizens of the United States, of whom one shall be elected annually as chairman.

(c) (1) Four members of the board shall be appointed by the President of the United States for a period of four years, except that the first member so appointed shall continue in office for a term of one year; the second for two years; and the third for three years.

(2) Two members of the board shall be appointed by the Senate leader (majority or minority floor leader) of the political party opposite to the political party of the President for a term of four years, except that the first member so appointed shall continue in office for a term of one year.

(3) Two members of the board shall be appointed by House of Representatives leader (Speaker or minority floor leader) of the political party opposite to the political party of the President for a term of four years, except that the first member so appointed shall continue in office for a term of three years.

(4) One member of the board shall at all times be the Secretary of Transportation.

(5) Three members of the board shall be elected annually by common stockholders.

(6) Three members of the board shall be elected annually by preferred stockholders.

(d) Any member selected to fill a vacancy may be selected only for the unexpired term of the director whom he succeeds. A director whose term has expired shall continue to serve until his successor is selected.

(e) Upon the inauguration of a President of a different political party than his predecessor, successors of members who have been appointed by the Senate and House leaders shall be appointed by the President, and successors of members who have been appointed by the President shall be appointed by the Senate and House leaders, the first such successor to be appointed by the Senate leader.

(f) No director may have any direct or indirect financial or employment relationship with any railroad during the time he serves on the board.

(g) Each director shall receive compensation at a rate of \$300 for each meeting of the board that he or she attends. In addition, each director shall be reimbursed for necessary travel and subsistence expenses incurred in attending the meetings of the board.

(h) The board of directors is empowered to adopt and amend bylaws governing the operation of the Corporation. Such bylaws shall not be inconsistent with the provisions of this Act or of the articles of incorporation.

(i) The articles of incorporation of the Corporation shall provide for cumulative voting for all stockholders and shall provide that, upon conversion of one-fourth of the outstanding shares of preferred stock, the common stockholders shall be entitled to elect four directors and the preferred stockholders shall be entitled to elect two directors; upon the conversion of one-half of the outstanding shares of preferred stock, the common stockholders shall be entitled to elect five directors and the preferred stockholders shall be entitled to elect one director; and upon conversion of all outstanding shares of preferred stock, the common stockholders shall be entitled to elect six directors. Any change of directors resulting from such stock conversion shall take effect at the next annual meeting of the Corporation following such stock conversion.

Redesignate present subsection (d) as subsection (j) .

Add new Section 304 (a) as follows:

Within five days after enactment of this section, all railroads owning common stock in the Corporation shall surrender all their stock certificates to the Treasurer

of the Corporation, who shall cancel them from the records of the Corporation. Within thirty days after such surrender and cancellation, the Corporation shall pay to each railroad the fair market value of the stock surrendered. If any railroad is dissatisfied with the price paid, it may institute judicial action for determination under federal condemnation standards of the additional amount, if any, which it is owed.

Redesignate present Section 304 (a) as Section 304 (b) and amend the first paragraph as follows:

(b) The Corporation is authorized to issue and have outstanding, in such amounts as it shall determine, two issues of capital stock, a common and a preferred, each of which shall carry voting rights and be eligible for dividends. Stock may be issued to and held only by any person other than a railroad or any person or entity with any direct or indirect financial or employment relationship with any railroad.

Delete present Section 304 (b).

Section 401 - Strike the last sentence of subsection (a) (2)

Strike the following in subsection (a) (3):

and the railroad shall surrender to the Corporation an amount of stock, at par value, equivalent to such payment.

Section 501 - Add the following sentence:

The panel shall advise the directors of the Corporation on ways and means of financing capital improvements outside of utilizing government grants or guaranteed loans.

Section 502 - Delete and substitute the following:

Within thirty days after enactment of this section, the board of directors of the Association of American Railroads shall appoint a five person advisory panel. The panel shall advise the directors of the Corporation on ways and means of improving the efficiency and attractiveness of its train services. On or before the expiration of one year after appointment, and each year thereafter, the panel shall submit to the Congress and release to the public a report evaluating the railroad operations of the Corporation, including such recommendations as it deems appropriate.

The title heading and section headings in TITLE V should be appropriately revised.

COMMENT: This amendment would remove the railroad directors from the board, and provide for four appointments by the Congressional

leadership of the party opposity the President. Hopefully, the revamped board would assure that the conduct of Amtrak was more efficient, effective, and consistent with the public interest.

Extension of Time for Mandatory Operation of Basic System

Section 403 (a) of the Rail Passenger Service Act of 1970 is amended by striking out the last sentence.

Section 404 (a) of the Rail Passenger Service Act of 1970 is amended by striking out the last sentence.

Section 404 (b) of the Rail Passenger Service Act of 1970 is amended as follows:

"(b)(1) The Corporation must provide service between the end points included within the basic system over any reasonably expeditious route or combination of routes until July 1, 1977, unless such service is being provided on a basis acceptable to the Corporation by a railroad with which it has not entered into a contract under Section 401 (a) of this Act. Through car service need not be provided between the end points included within the basic system if connections are made between the hours of 6 antemeridian and 12 midnight.

"(2) Service beyond that prescribed for the basic system undertaken by the Corporation upon its own initiative may be discontinued at any time."

"(3) If at any time after July 1, 1977 - - - "

COMMENT: It should be apparent to all that Amtrak must be allowed a much longer period than was originally contemplated if there is to be a meaningful "experiment". Our proposal to extend the period of mandatory operation to July 1977 would assure service thru the Bicentennial year, and most importantly, would assure a real test under conditions of meaningful improvement in reservations, equipment, etc.

The proposed deletions to Sections 403(a) and 404(a) would abolish the restriction on discontinuing added service after two years operation, and would make clear that Amtrak can run trains on lines where non-joiners are also doing so. As a practical matter, Amtrak probably would not do this, but the clear right to do so would help assure full cooperation of the non-joiners in thru train operations, etc.

Additional Funding for State Assisted Operations

Delete the words "a reasonable portion of any losses associated with such service" in Section 403 (b)

Delete the words "a reasonable portion of any losses associated with the continuation of service beyond the notice period" in Section 404 (b) (3)

Substitute the following for the deleted portion in both Section 403 (b) and Section 404 (b) (3):

33 1/3 per centum of the solely related costs and associated capital costs, including interest on passenger equipment, less revenues attributable to such service.

Delete subsection 403 (c) and paragraph 404 (b) (4)

Add new Section 601 (c):

There is authorized to be appropriated to the Secretary \$50,000,000 annually for payment to the Corporation for the purpose of financing train service requested by State, regional, or local agencies pursuant to Sections 403 (b) and 404 (b) (3) of this act.

COMMENT: This amendment would allow for states to obtain train service provided that they came up with 1/3 of the losses, rather than 2/3 as at present. This is the same state-federal funding ratio that is provided for urban mass transit and for federal-aid highways other than the Interstate System. We believe that the present requirement that states pay 2/3 is the principal obstacle in the path of greater utilization of Section 403 (b).

An additional authorization of \$50,000,000 is provided for this purpose, which together with the \$25,000,000 that the states would put up, should result in a substantial increase in Amtrak services.

Right to Preference over Freight Trains in Use of Track
Relief / Restrictive Railroad-Imposed Speed Restrictions

Add the following new subsections to Section 402, which should be retitled "Performance of Train Service":

(d) (1) Except in an emergency, intercity passenger trains operated by or on behalf of the Corporation shall be accorded preference over freight trains in the use of any given line of track, junction, or crossing, unless the Secretary has issued an order to the contrary in accordance with paragraph (2) of this subsection.

(2) Any railroad whose rights with regard to freight train operation are affected by paragraph (1) above may file an application with the Secretary requesting appropriate relief. If after hearing and upon sufficient proof, the Secretary finds that adherence to paragraph (1) will materially lessen the quality of freight service provided to shippers, the Secretary shall issue an order fixing rights of trains, on such terms and conditions as are just and reasonable.

(e) If upon request of the Corporation, a railroad refuses to permit accelerated speeds by trains operated by or on behalf of the Corporation, the Corporation may apply to the Secretary for an order requiring the railroad to permit such accelerated speeds. The railroad shall have the burden of proof of showing that such accelerated speeds are unsafe or otherwise impracticable, and of showing the nature and extent of improvements to track, signal systems, and other facilities that would be required to make such accelerated speeds safe and practicable. After hearing, the Secretary shall issue an order fixing maximum permissible speeds of Corporation trains, on such terms and conditions as he shall find to be just and reasonable.

COMMENT: These amendments are made necessary by the continuing efforts of the Southern Pacific, Missouri Pacific, and others to impede the expeditious and dependable movement of Amtrak trains. Amtrak trains would be given preference over freight trains as a general rule, but ^{would be allowed} railroads/to obtain relief from the Secretary in cases where they could prove that service to shippers would be materially downgraded if Amtrak's preference was enforced. In an appropriate case, the Secretary could require Amtrak to provide improvements to signalling, communications, etc. as a condition to retention of its preference.

We do not object to the DOT's proposals for reducing ICC jurisdiction over Amtrak, provided that our proposal is enacted to require operation of the basic system until July 1977.

We strongly support DOT's recommendations for \$93 million in additional federal grants and \$300 million in additional loan guarantee authority. However, we oppose the idea of an open-ended authorization, because we believe that this committee, as the expert legislative body on transportation, should maintain effective oversight over Amtrak operations. The best chance for oversight is whenever money is being requested. Hence the authorization in Section 601 (a) should be increased from \$265 million to \$312 million (\$265 - \$46 million unappropriated + \$93 million).

We call the committee's attention to the fact that \$9.1 million in previously appropriated Amtrak funds has been impounded, by the Administration, with consent and approval of DOT. We urge the committee to require that this money be promptly released, and that impoundment of future appropriations be prohibited.

We support the recommendation that Amtrak be given the power of eminent domain.

DOT Discontinuance Recommendations

We strongly object to the DOT recommendation that the Chicago - Florida service be discontinued. In the appendix to this statement appears our suggestions for improving and strengthening this service.

We will not object to discontinuance of the Pittsburgh - St. Louis portion of the New York-Kansas City trains, provided that new connecting service is established between central Ohio and the east coast. The St. Louis-Kansas City segment should be retained. The appendix presents

our suggestions in detail, including our current ideas on a restructuring of east-midwest service.

We object to the proposed discontinuance of the Richmond - Newport News Service, believing that it should be coordinated with the New York - Florida trains so as to provide service between Newport News, Washington, and New York.

We do not object to the proposed consolidation of the Chicago-Houston and Chicago-Los Angeles trains between Chicago and Kansas City.

VII Conclusion

Rail passenger service is a vital necessity, the importance of which becomes clearer with each passing day. Amtrak is the ideal concept for providing passenger service wherever it is useful and needed. However, Amtrak's performance up to now is woefully deficient. Since the Congress is putting up the funds for Amtrak, Congress must see that the funds are being effectively utilized.

We cannot overestimate the importance to Amtrak's prospects of direct operation and control by Amtrak with its own employees and supervisors. If this is not achieved, Amtrak will remain little more than a disbursement agency for railroad subsidies. At the same time, railroad performance will always be inferior, because the railroads have no interest in providing the service and can evade responsibility by pointing to Amtrak as the entity which is legally responsible even though it has no actual control.

The serious situation in track and roadbed threatens to make passenger train operation a practical impossibility on a number of important routes, regardless of who operates it. However, this is not merely a problem for passengers, but a problem for freight shippers and for railroads. A solution must be found in the broad context of railroad rehabilitation rather than as part of a passenger train program. We will be making this point before the Committee at forthcoming hearings on the Northeast Railroad problem and on the Surface Transportation Act; I sincerely hope an answer can be found, and found quickly.

The public opinion poll done by Louis Harris & Associates for Amtrak indicates that the public wants good rail passenger service and is willing to pay for it. A 64 to 22% majority agreed that "even with Federal subsidies, it is worth it to have train travel for passengers between major cities available." A 56 to 27% majority supported

federal investment for fundamental changes in tracks and equipment that would improve train travel." And by 60 to 25%, the poll respondents supported a "major federal investment to make American passenger train travel as good as any in the world."

Let's get started.

NARP Proposals For Restructuring Amtrak
Train Service Between Chicago and Florida and
Between the East and the Midwest

AMTRAK has announced its intention to discontinue, in accordance with recommendations of the Department of Transportation, its daily trains between Chicago and Miami, with connections to and from Tampa - St. Petersburg, Florida, and its daily trains between Pittsburgh, St. Louis and Kansas City.

The National Association of Railroad Passengers believes that passenger train service between Chicago and Florida should be continued, be substantially improved, and be expanded so as to reach a much larger number of people.

The Association believes that service between St. Louis and Kansas City should be continued and speeded up.

The Association also believes that service between Pittsburgh and St. Louis should be discontinued only if new connecting service is established linking Columbus and Dayton to the East Coast as a part of a general restructuring of East-Midwest service.

I. Immediate Consequences of Discontinuances

Discontinuance of the Chicago-Florida trains would leave the following cities without any passenger train service:

<u>City</u>	<u>SMSA Population</u>
Louisville, Kentucky	849,000
Nashville, Tennessee	554,000
Montgomery, Alabama	203,000

Birmingham, Alabama (SMSA population 773,000) would no longer have service to Chicago. Persons who insisted upon travelling between Chicago and Florida by train would have to make connections via Richmond, Virginia, requiring an extra night, ten additional hours, and a four hour layover in Richmond, Virginia.

Discontinuance of the Pittsburgh-Kansas City trains would leave Columbus (SMSA population 916,000) and Dayton (SMSA population 850,000) without any passenger train service. Persons traveling by train from St. Louis and Kansas City and the East would have to make connections through Chicago. Persons travelling between Indianapolis and the East could still use the Chicago-Cincinnati-Washington train, connections being made at the latter point for Baltimore, Philadelphia, and New York.

II. Need and Potential for Service

A. Chicago-Florida

Civil Aeronautics Board 10% sample figures for total air travel between Chicago and major Florida points indicates that there is a large potential market for this route:

<u>City Pair</u>	<u>Daily Air Travelers - One Direction</u>
Chicago - Miami	595
Chicago - Tampa - St. Petersburg	<u>241</u>
Total Chicago-Florida	836

This is considerably more than air travel between the end points of several other AMTRAK long-distance routes which AMTRAK plans to continue operating:

Chicago - New Orleans	186
Chicago - Houston	222
Chicago - Denver	379

However, in our view, the northern origins of AMTRAK's Chicago-Florida service should not be limited to Chicago, Indianapolis, and Louisville, but should also include Kansas City, St. Louis, Detroit, Toledo, Dayton, Cincinnati, Cleveland, and Columbus.

The following table compares the daily air travelers (in one direction) between Miami and the northern cities now served, and between Miami and the additional cities which we believe should be served:

Miami - Chicago	595
Miami - Indianapolis	72
Miami - Louisville	44

Miami - Kansas City	53
Miami - St. Louis	111
Miami - Detroit	343
Miami - Toledo	20
Miami - Dayton	41
Miami - Cincinnati	99
Miami - Columbus	68
Miami - Cleveland	188

B. St. Louis - Kansas City

NARP believes that there is a definite need and potential for "corridor" train service between St. Louis (SMSA population 1,253,000) and Kansas City (SMSA population 2,363,000). Half way in between these points is the state capital of Jefferson City. The track is in excellent condition. While Amtrak eventually should provide high-speed service in this corridor utilizing Turbo Trains or some other type of advanced technology, one round trip per day can provide good connections both between St. Louis and the West Coast and between Kansas City and Florida (more on this latter aspect later). Furthermore, the schedule is attractive for Kansas City people with business in the state capital, and for Jefferson City people who have appointments or who want to go shopping in St. Louis.

C. East-Midwest

The St. Louis - Pittsburgh route has two long stretches (Pittsburgh - Columbus and Indianapolis - St. Louis) that have rather low population density. Dayton and Columbus should continue to have service to and from the East Coast; however, this can be provided by a connection with the New York - Chicago Broadway Limited.

NARP has continually criticized AMTRAK for its failure to provide service to and from Cleveland (SMSA population 2,064,000). Nor is the time to remedy a great error and redesign East-Midwest service around this important point. Also it is past time to connect Detroit (SMSA population 4,200,000) with the East Coast and to connect the large cities of upstate New York (combined SMSA population 3,929,000) with Chicago and the West.

III. Amtrak's Performance

A. Chicago - Florida

	A M T R A K							
	1941	1953	1957	5/71	11/71	1/72	10/72	5/73
Lv Chicago(CT)	9:40A	9:00A	8:45A	8:10A	11:30P	9:00P	8:30A	8:30P
Ar Miami(ET)	4:10P	4:45P	5:15P	7:00P	11:40A	1:05P	9:55P	12:55P
Running Time	29:30	30:45	31:30	33:50	35:10	39:05	36:35	39:25
Lv Miami(ET)	6:25P	11:45A	12:40P	9:45A	7:30P	12:15P	8:00A	5:10P
Ar Chicago(CT)	10:55P	5:45P	7:20P	7:20P	7:00A	6:00A	7:30P	7:00A
Running Time	29:30	31:00	31:40	34:35	36:30	42:45	36:30	38:50
Scheduled	9-1/2	4-1/2	4 Hrs.	2:35	2:35	2:35	2:35	2:35
Ar Times	Hrs.	Hrs.						

Hence AMTRAK started out running this train on a schedule 2-1/2 to 3 hours longer than in 1957, 3 to 3-1/2 hours longer than in 1953, and 4-1/2 to 5 hours longer than in 1941. At the present time, the schedule is another 4 to 5-1/2 hours longer yet. But that is just the beginning of the story of how AMTRAK has mismanaged this train.

On-time performance for the trains from May through October, 1971, was only 38%, with the train running an average of 1 hour, 8 minutes late every day in each direction. In November, 1971, Penn Central imposed drastic speed restrictions on account of track deterioration on that portion of the train's route between Louisville and Chicago. AMTRAK did not, until a much later date, complain to Penn Central or institute legal proceedings to compel Penn Central to fix up the track. Nor did AMTRAK move to fix up the track with its own resources; nor did it shift the train to another route - Nashville - Evansville - Terre Haute - Chicago - which not only was shorter but was adequately maintained. Instead, AMTRAK chose to lengthen the running time by an hour southbound, and two hours northbound, and reschedule the train on a 2 night, 1 day basis rather than

the 2 day, 1 night basis which had been standard for all premier Chicago - Florida trains since shortly after World War II.

Rather than improving, operating performance got worse. By the end of 1971, on-time performance was down to 35%. During the first three weeks of 1972, only one train operated on time, and the trains were an average of over two hours late. On January 23, 1972, AMTRAK responded in typical fashion -- it again lengthened the schedule, this time by 4 hours southbound, 6 hours northbound. The resulting schedules were slower than at any time since the mid-1920's. Yet even with this Model-T era timetable, on-time performance through October, 1972 was a wretched 55%!

In October, 1972, AMTRAK restored the 2 day, 1 night pattern for this service. However, the schedule was 2-1/2 hours longer southbound and 2 hours longer northbound than what AMTRAK started out with in May, 1971. On-time performance continued incredibly poor, and in May, 1973, the 2 night, one day format re-appeared -- plus another three hours southbound and two hours northbound.

Under the circumstances it is quite understandable that the Chicago-Florida trains are poorly patronized and incur large deficits.

B. St. Louis - Kansas City

AMTRAK has not operated these trains faster than 5 hours, 45 minutes despite the excellent condition of the track on the route. For many years after 1940, the schedule was 5 hours flat. The Missouri Pacific railroad arbitrarily reduced its allowable speed limit from 80 to 65 miles an hour about one month before AMTRAK began operations in May, 1971. AMTRAK has accepted this without apparent complaint. Since the fastest bus on the route can make it in about 4 hours, AMTRAK's slow schedule undoubtedly has cost it potential patronage.

We believe that the poor patronage to date between St. Louis and Kansas City is primarily the fault of AMTRAK and not a reflection of the potential of the route.

IV. Proposals for Improved Service

A. Chicago - Florida

A threshold consideration is selection of the best route. The track between Chicago, Indianapolis, and Louisville is still in bad condition. The Florida trains could avoid this stretch by operating between Nashville and Chicago via Evansville and Terre Haute. Even assuming good track on both, the Evansville route is shorter and potentially faster than the Louisville route. However, Indianapolis and Louisville have far greater patronage potential than Terre Haute and Evansville. Chicago - Indianapolis is a potential corridor, and since DOT and AMTRAK plan to keep the Chicago - Indianapolis - Cincinnati service, this line presumably will be rebuilt. We point out the availability of the Louisville and Nashville line between Chicago and Lafayette, which is in much better shape than the Penn Central - Illinois Central via Kankakee. The line between Indianapolis and Louisville has been identified by the Penn Central trustees as part of their 11,000 mile "core" system. Hence this stretch will have to be rebuilt sooner or later, so the job may as well be done now with whatever funds from any source are available, including AMTRAK.

We recommend that the trains stay on the Indianapolis-Louisville route, provided that prompt action is taken to rehabilitate the track north of Louisville.

South of Thomasville, Georgia, we recommend a route change which will not only cut down considerably on total train miles of the Chicago - Miami trains themselves, but allow these trains to serve the West Coast of Florida as well, thus permitting elimination of the Orlando - St. Petersburg connection. Instead of running East from Thomasville through Waycross and Jacksonville, the train should turn south and run through Perry, Florida to Plant City, which is only 20 miles west of Tampa and is right on the freeway to Tampa and St. Petersburg. From Plant City, connecting bus/limousine service would fan out to Tampa, Clearwater, St. Petersburg, and Sarasota -- and in the case of St. Petersburg, provide considerably faster service than is now possible by train. From Plant City, the train would proceed to Lakeland, Palm Beach, Ft. Lauderdale, and Miami.

Using as a basis the timings in effect in 1957 (which themselves were somewhat slower than those of 1941), we propose the following schedules for the revised service:

		<u>Proposed</u>	<u>Present</u>
SOUTHBOUND			
Lv Chicago	CT	10:00 A	8:30 P
Lv Indianapolis	CT	2:00 P	1:20 A
Lv Louisville	ET	5:15 P	6:00 A
Lv Nashville	CT	7:45 P	8:55 A
Lv Birmingham	CT	11:45 P	1:25 P
Lv Montgomery	CT	1:45 A	3:55 P
Lv Thomasville	ET	7:00 A	9:20 P
Ar St. Petersburg	ET	12:00 N*	11:59AA
Ar Miami	ET	4:30 P	12:55 P
NORTHBOUND			
Lv Miami	ET	12:30 P	5:10 P
Lv St. Petersburg	ET	5:00 P*	5:25 P
Lv Thomasville	ET	10:00 P	6:28 A
Lv Montgomery	CT	1:15 A	11:05 A
Lv Birmingham	CT	3:15 A	1:15 P
Lv Nashville	CT	7:45 A	6:00 P
Lv Louisville	ET	12:15 N	11:00 P
Lv Indianapolis	CT	1:30 P	2:45 A
Ar Chicago	CT	5:30 P	7:00 A

* / Station at Plant City, Florida. Add one hour for bus connection to St. Petersburg.

These schedules represent a great improvement over the present -- 8-1/2 to 10 hours faster Chicago - Miami and 11 to 12 hours faster Chicago - St. Petersburg, including allowance of an extra hour for the bus ride between St. Petersburg and Plant City. The savings in time is only part of the benefits -- arrival and departure times from both Chicago and Miami are much more convenient. If the Evansville route was used, Chicago - Florida timings could be at least as fast, and perhaps faster.

A bus connection to and from these trains should be established between Inverness and Orlando - Disneyland. Consideration should be given to operation via Tallahassee, Florida's state capital, rather than Thomasville, Georgia. Only four miles would be added to the trip.

We believe that were the Chicago - Florida trains rerouted and rescheduled as we have suggested, and then operated dependably and with high standards of service, they would rank among the best in the AMTRAK system, both in passengers carried and in financial results, even if no additional northern cities were linked with the service.

We propose that a connecting train be operated between Detroit and Louisville, with through coaches and sleepers to and from Miami. If the Evansville route were used, this connection would be made at Nashville. At Cincinnati, connections would be made from and to Columbus and Cleveland via a train which AMTRAK would operate in lieu of the present Pittsburgh - St. Louis train, to provide service between central Ohio and the East Coast.

A connecting train should be run between Nashville and St. Louis, which would be consolidated at St. Louis with the present St. Louis - Kansas City service, which should be appropriately rescheduled and speeded up. If the Evansville route were used between Nashville and Chicago, this connection would be made at Evansville.

To generate additional revenues for the trains, a through coach and sleeper should be operated from Louisville to New Orleans via a connecting train from Montgomery. This operation would link New Orleans with Ohio, Michigan, Indiana, and Kentucky, and link Chicago with Mobile and the Gulf Coast. At New Orleans, good connections would be made for the West Coast.

Schedules of this proposed connecting service would look something like this:

10:00 A	Lv	Chicago	CT	Ar	5:30 P
5:00 P	Ar	Louisville	ET	Lv	12:15 P
8:00 A	Lv	Detroit	ET	Ar	9:30 P
2:00 P	Ar	Cincinnati	ET	Lv	3:15 P
8:45 A	Lv	Cleveland	ET	Ar	9:15 P
2:00 P	Ar	Cincinnati	ET	Lv	4:00 P
2:15 P	Lv	Cincinnati	ET	Ar	3:00 P
5:00 P	Ar	Louisville	ET	Lv	12:15 P
5:15 P	Lv	Louisville	ET	Ar	12:00 N
7:30 P	Ar	Nashville	CT	Lv	7:45 A
7:00 A	Lv	Kansas City	CT	Ar	9:00 P
12:15 A	Lv	St. Louis	CT	Ar	3:30 P
7:30 P	Ar	Nashville	CT	Lv	7:45 A
7:45 P	Lv	Nashville	CT	Ar	7:30 A
1:45 A	Ar	Montgomery	CT	Lv	1:15 A
2:30 A	Lv	Montgomery	CT	Ar	1:00 A
6:00 A	Ar	Mobile	CT	Lv	9:30 P
9:30 A	Ar	New Orleans	CT	Lv	6:00 P
2:00 A	Lv	Montgomery	CT	Ar	1:00 A
12:00 N	Ar	Plant City	ET	Lv	5:00 P
4:30 P	Ar	Miami	ET	Lv	12:30 P

The primary travel market to and from Florida is tourists and vacationers. New Orleans is also a tourist attraction. Hence, we suggest that this operation be on alternate days rather than daily. The net result would be virtually no increase in average daily train miles compared to the present operation.

B. St. Louis - Kansas City

These trains should be promptly returned to the 5-hour schedule which was operated for many years as the Colorado Eagle:

4:00 P lv. St. Louis Ar. 12:00 N
 6:05 P lv. Jefferson City Lv 9:45 A
 9:00 P Ar Kansas City Lv 7:00 A

Connections would continue to be made at Kansas City for the west, and if the Florida service is restructured as we

have suggested, additional revenue would be generated from that service.

This route is a prime candidate for high speed service with Turbo Trains or other advanced equipment.

C. East - Midwest Service

The first step in restructuring this service is to reroute the Broadway via Cleveland -- which would add only about two miles to its trip.

The schedule of the Broadway for many years has been designed for the benefit of businessmen travelling between Chicago and New York. While we do not believe that the cause of attracting businessmen to overnight trains is hopeless, we do think that were the Broadway rescheduled to provide better service to and from intermediate points, the added revenue therefrom would far more than offset any loss of New York - Chicago business travel. We suggest the following schedule:

9:30 P	Lv. New York Et	Ar.	9:45 A
11:10 P	Lv. Philadelphia Et	Lv.	8:10 A
6:00 A	Lv. Pittsburgh Et	Lv.	1:15 A
8:45 A	Lv. Cleveland Et	Lv.	10:30 P
11:00 A	Lv. Toledo Et	Lv.	8:00 P
1:45 P	Ar. Chicago Ct	Lv.	3:30 P

This schedule will allow for excellent connections at Chicago in both directions. In addition to Toledo and Cleveland, service would be provided to Youngstown and Akron (via Hudson, Ohio).

Another change that should be made in the operation of the Broadway is to run it into 30th Street Station, Philadelphia. The train would have to be operated backward from New York to Philadelphia; the distance does not seem long enough to significantly bother any passengers. The change from electric power to diesel should then be made at Philadelphia rather than Harrisburg. Operation via 30th Street will allow for cross-platform transfers to and from trains for Baltimore and Washington.

Concurrent with operation via 30th Street Station in Philadelphia, the Harrisburg-Washington leg of the Broadway should be discontinued. The 30th Street Station has high-level platforms and is fully weather-protected.

Furthermore, if late trains cause a connection to be delayed, the station has full restaurant and other facilities available. Accordingly, asking Chicago - Washington passengers to change trains does not appear too much of an imposition. Connecting passengers should be helped with their baggage and eastbound passengers should be given a free breakfast and newspaper. Were a Metroliner used as the connecting train, the total elapsed time of Pittsburgh - Washington operation via Philadelphia would be no greater than via the Port Deposit line now used for the Harrisburg - Washington connection.

When the Broadway begins operation via Toledo, a connection should be established between Toledo and Detroit.

AMTRAK presently operates trains 73 and 74 between New York and Buffalo on the following schedule:

1:00 P Lv New York ET	Ar 4:55 P
3:50 P Lv Albany ET	Ar 2:05 P
5:51 P Lv Utica ET	Lv 11:55 A
6:42 P Lv Syracuse ET	Lv 11:05 A
8:15 P Lv Rochester ET	Ar 9:32 A
9:30 P Ar Buffalo ET	Lv 8:25 A

However, there is no service west of Buffalo for the benefit of upstate New York points. Hence, we urge that trains 73 and 74 be extended west to Chicago on the following schedule:

9:40 P Lv Buffalo ET	Ar 8:15 A
1:15 A Lv Cleveland ET	Lv 5:10 A
7:00 A Ar Chicago CT	Lv 8:30 P

This logical extension of "Empire Service" would also serve Erie, Pennsylvania; would give midwestern tourists and vacationers a chance to see the scenic beauty of the Hudson River; and would provide a backup to the Broadway eastbound on days when connecting trains to the west were running late. Consideration should be given to a train or bus connection between Albany and Boston.

Once the overnight service was established between Buffalo and Chicago, the states of New York, Pennsylvania, and New Jersey should consider financing under Section 403 of the AMTRAK statute the operation of a connecting train between Buffalo and Hoboken via Binghamton, Elmira, and Scranton.

AMTRAK plans to continue operating a pair of day trains between Pittsburgh and New York, in addition to the Broadway. If the New York Buffalo trains were extended to

Chicago as we have suggested, it would be rather easy to link the Pittsburgh - New York day trains to Chicago by extending them to Youngstown and Cleveland, on the following schedule:

1:30 P	Lv New York	ET	Ar 4:45 P
3:10 P	Lv Philadelphia	ET	Lv 3:05 P
10:30 P	Lv Pittsburgh	ET	Lv 8:00 A
1:15 A	Lv Cleveland	ET	Lv 5:15 A
7:00 A	Ar Chicago	CT	Lv 9:30 P

We suggest that AMTRAK offer to provide this link on its own account, with through equipment between Chicago and New York -- provided that the states of Pennsylvania and Maryland agreed to underwrite a Pittsburgh - Washington connection via Cumberland, Maryland and the Baltimore and Ohio. Ideally, a Turbo Train, taking full advantage of its pendulous suspension system, would make a round trip on a schedule something like this, connecting at Pittsburgh for Chicago in both directions:

4:30 P	Lv Washington	Ar 2:00 P
7:00 P	Lv Cumberland	Lv 11:30 A
10:15 P	Lv Pittsburgh	Lv 8:15 A

This service would also provide connections between Pittsburgh and Florida via Washington.

We do not believe that service should be discontinued over the Pittsburgh - Canton - Lima - Ft. Wayne - Chicago route when the Broadway is shifted to the Cleveland route. We suggest that a connecting train meet the Broadway at Youngstown arriving and leaving Chicago at about the same time as the Broadway. This train should make a number of stops now missed by the Broadway -- Alliance, Massillon, Wooster, Mansfield and ideally should run through Marion, Ohio via the Erie-Lackawanna. Connecting bus service should be provided between Marion and Columbus. We believe that it would be appropriate for AMTRAK to operate this train for a year or so for its own account on an experimental basis. At the end of the experimental period, it should be up to Ohio and Indiana to provide financial assistance under Section 403 unless the train was near breaking even.

The final step in this restructuring and upgrading of East - West service is to initiate a new train between Cleveland, Columbus, Springfield, Dayton, Middletown and Cincinnati. At Cleveland, connections would be made to and from the East via the Broadway Limited; at Cincinnati,

connections would be made to and from Florida as discussed earlier. The schedule might be as follows:

8:45 A Lv Cleveland	Ar 9:00 P
11:00 A Lv Columbus	Lv 6:45 P
12:00 N Lv Springfield	Lv 5:45 P
12:35 P Lv Dayton	Ar 5:10 P
1:00 P Lv Middletown	Ar 4:45 P
1:45 P Lv Cincinnati	Lv 4:00 P

Cleveland - Pittsburgh and Cleveland - Columbus should be carefully studied for their potential as high-density corridors which would support frequent, fast service.

Summarizing the benefits of our East - Midwest proposals, we see that they would --

- Provide East - West service for Youngstown, Akron, Cleveland and Toledo (combined SMSA population 3,279,000)
- Provide service to the East Coast from Detroit (SMSA population 4,200,000)
- Provide service to Chicago and the West from Albany, Utica, Syracuse, Rochester, and Buffalo (combined SMSA population 3,929,000)
- Link together the major Ohio cities of Cleveland, Columbus, Dayton, and Cincinnati, and provide service from these points to Florida.

In return for this vast improvement, Kansas City and St. Louis would lose direct thru service to the East, and Indianapolis would lose East - West service between Pittsburgh and St. Louis, but would still have service to the east via Cincinnati and Washington. Kansas City would continue to have excellent connecting service via Chicago. St. Louis people travelling to the East Coast could also make connections through Chicago, which would not be unduly inconvenient, especially since Chicago - St. Louis service is slated to become a high speed corridor.

We must emphasize that the benefits of this proposal could be largely nullified unless prompt action is taken to rehabilitate the Penn Central track and roadbed over which the great majority of the service would be operated. Most of the lines involved are important for freight service, and must be rebuilt on that account even if no passenger service existed. However, AMTRAK itself should fix up the Chicago - Indianapolis - Cincinnati - Louisville links.

BEFORE THE

INTERSTATE COMMERCE COMMISSION

Finance Docket No. 27353

GEORGE P. BAKER, RICHARD C. BOND, AND
JERVIS LANGDON, JR., TRUSTEES OF THE PROPERTY
OF PENN CENTRAL TRANSPORTATION COMPANY,
DEBTOR--COMPENSATION FOR PASSENGER SERVICE

VERIFIED STATEMENT AND ARGUMENT OF INTERVENORS,
NATIONAL ASSOCIATION OF RAILROAD PASSENGERS
AND THE RAIL FOUNDATION

Andrew P. Goldstein, Esq.
706 Ring Building
1200 Eighteenth Street, N. W.
Washington, D. C. 20036

Attorney for Intervenors

Due: May 17, 1973

Intervenors National Association of Railroad Passengers and RAIL Foundation contend that the proper method of compensation by Amtrak to Penn Central for provision of passenger service by Penn Central is the avoidable or incremental cost basis.

I. Financial Impact on Amtrak of Penn Central's Demands.

Penn Central Trustees assert that Amtrak payments are currently \$32 million short of what PC is entitled to on a "fully allocated" cost basis, exclusive of return on investment (Statement of James A. McDonald, p. 14). Penn Central's Exhibit 14 (Table immediately preceding the report of De Leuw Cather & Co.) indicates an Amtrak "deficiency in shared costs" of \$18.2 million plus a claimed "return on investment at 7-1/2%" of \$34.9 million, for a total claimed "deficiency" of \$53.1 million. Also, in a speech given by Penn Central President W. H. Moore at Transylvania College in Lexington, Kentucky on November 17, 1972, a \$55 million figure was advanced as the claimed Amtrak deficiency. For present purposes, we will assume that \$32 million represents Penn Central's total demands from Amtrak.

Liability of Amtrak for an additional \$32 million to Penn Central would have a devastating effect on Amtrak's finances. Amtrak figures indicate that during 1972 on an annual basis, operating expenses of all Northeast corridor services were \$64.4 million, and net operating

losses \$7.0 million. Payment of an additional \$32 million would be a 50 percent increase in operating expenses; since the services are already losing money, the full increase would have to come out of the U.S. Treasury.

The ultimate impact on Amtrak of the kind of ruling Penn Central is asking for will not be limited to Amtrak's relationship with Penn Central. In testimony before the Surface Transportation Subcommittee of the Senate Committee on Commerce given on May 16, 1973, Mr. Stephen Ailes, President of the Association of American Railroads, made the following statement:

"The Penn Central, under the statute, has referred to the Interstate Commerce Commission for decision the matter of its compensation [from Amtrak]. Because of the crucial bearing of that decision upon the reorganization of the Penn Central, Judge John P. Fullam, District Judge in the United States District Court for the Eastern District of Pennsylvania (the Reorganization Court) has directed the Commission to report by June 15, 1973 on the formulae the Commission finds appropriate to determine just and reasonable compensation for the Penn Central.

"With respect to the other 11 participating roads [in the Amtrak system], they along with the Penn Central, have been rendering services and have made available facilities to Amtrak since its inception over 24 months ago on terms which yield less than full costs. These eleven have sought to determine what such costs would be. Our rough figures indicate that payments to these 11 roads (excluding the Penn Central) under the present interim basis, fall below full costs by approximately \$52 million on

an annual basis, a figure which is equal to one-third of the \$150,000 paid by Amtrak to these 11 carriers." (Emphasis supplied)

Thus, the net result would be that Amtrak's current deficit of \$147 million would zoom to approximately \$255 million (the \$52 million being claimed by Mr. Ailes as the full cost deficit of the 11 other railroads plus the \$53 million being claimed system-wide by Penn Central from Amtrak), an amount which Congress, in our judgment, would be most reluctant to pay, and which we, as members of the traveling public, in any event would be most reluctant to ask it to pay. These additional monies would not buy a dime's worth of new equipment or improved track and roadbed; they would simply enrich the railroads for the far from satisfactory service they are now providing for Amtrak.

II. Incremental or Avoidable Costs - Law and Logic.

The definitions section of the statute (P. L. 91-318) makes specific reference to "avoidable loss," Sec. 102(6).

"Avoidable loss" on passenger service during the year 1969 is the measure provided by the statute for computation of the amount to be paid by railroads to join Amtrak. Section 401(a)(2) provides that a railroad may join Amtrak by paying Amtrak 50 percent of its "fully allocated" passenger service deficit for 1969. As senator Winston Prouty, a principal sponsor of the legislation, explained on the floor of the Senate on May 5, 1970, 50 percent of the "fully allocated" loss is a fair approximation of the actual avoidable loss (Cong. Rec., May 5, 1970, S. 6661). In lieu of payment of 50 percent of the fully allocated deficit a railroad could pay 100 percent of the actual avoidable loss or 200 percent of the avoidable loss incurred on "basic system" routes, Sec. 401(a)(3).

If a state requests new service under Sec. 403(b) or a continuation of service under Sec. 404(b)(3), it must pay at least $66\frac{2}{3}$ percent

of the "solely related" costs and associated capital costs, less revenues, attributed to the service, the Secretary of Transportation having the duty to determine the percentage in each case. In presenting the legislation for floor consideration by the Senate, Senator Prouty indicated his belief that the "solely related" cost language used in this section of the statute was equivalent to avoidable costs, Cong. Rec., May 5, 1970, S. 6664.

In deciding what proportion of the loss must be paid by the State, the Secretary must consider the impact on Amtrak's overall financial condition. If the Secretary feels that circumstances warrant, he can order payment of the full 100 percent. Hence in drafting Sections 403(b) and 404(b)(3) Congress must have assumed that avoidable or incremental costs would be the basic measure of Amtrak's liability to the railroads for service. If "fully allocated" or "fully distributed" costs were the measure for such liability, the States would be in a position to compel Amtrak to pay the railroads for services which would be a substantial drain on its treasury, even if the States paid the maximum of 100 percent of the avoidable loss as can be required by the Secretary. This result would be contrary to the intent of Congress to keep such a drain under reasonable control.

Section 402 of the Act admittedly does not specify the measure of compensation to be paid by Amtrak for the use of carrier facilities, beyond the "just and reasonable" criteria. However, the foregoing analysis

of Sections 401, 403, and 404 plainly establish that Congress, in enacting the bill, focused upon the "avoidable cost" concept to the exclusion of any other specified concept.

It apparently is Penn Central's position that, having elected, by joining Amtrak, to be relieved of what Penn Central then claimed to have been staggering losses from passenger train service, Penn Central is now entitled to turn that relief into a profit. The profit which Penn Central now seeks is entirely inconsistent with the purpose of the bill. As Senator Vance Hartke, floor manager of the bill, said when the legislation was considered by the Senate, the bill "helps the railroads, but exacts a reasonable quid pro quo." Cong. Rec., May 6, 1970, S. 6689.

The "help" to which Senator Hartke referred was obviously the concept that carriers claiming passenger train losses could be relieved of those losses by joining Amtrak. The losses of which joining carriers were to be relieved indisputably were their avoidable losses. Hence the "quid pro quo" is the duty to provide services and facilities to Amtrak on an avoidable or incremental cost basis. To the extent that Penn Central now is seeking to place itself in a better position than it would have been had it simply discontinued intercity passenger service, its claim is totally inconsistent with the purpose of the statute.

That Penn Central is attempting to do so is clear from, if by

nothing else, its claim that it is entitled to a rate of return on its total book investment allocable to passenger service, viewed as a profitable enterprise. Penn Central, in other words, is seeking to profit from its operating contract with Amtrak. We must remind the Commission that when carriers were given the option of joining Amtrak, they also had the option of taking Amtrak stock and becoming Amtrak stockholders -- an option which Penn Central exercised. If and when Amtrak becomes profitable, Penn Central, as a stockholder, is entitled to its fair distribution of those profits -- and perhaps that is a part of the "help" to which Senator Hartke referred. But under no construction of the statute, and in no portion of its legislative history, can support be found for the proposition that the relief offered to joining carriers was not merely an elimination of their avoidable passenger train losses, but also an operating profit.

There is some suggestion in the Penn Central submissions (statement of James McDonald, pp. 20-22) that the present Penn Central-Amtrak contract restricts reimbursement to a "solely related" basis -- that is, a basis which precludes the payment of compensation for any facility which is not utilized solely for passenger service -- and that Amtrak is insistent upon retaining that basis.

Not having had the benefit of Amtrak's views on the merits in this proceeding, we obviously cannot know whether this is indeed

Amtrak's position. However, should it be Amtrak's position, we would have to concede that it is a position which is inconsistent with the concept of reimbursement on an avoidable cost basis, and thus inconsistent with what we believe to be the intent of Congress. The Commission has long recognized that avoidable costs may well involve shared facilities, see, e. g., Chicago, R. I. & P. R. Co. Discontinuance of Trains, 328 L. C. C. 278; all that is required is an appropriate identification of the costs. Indeed, the Penn Central-Amtrak contract specifically provides for the right of Penn Central to make special studies to establish such additional avoidable costs. (Vol. I, p. 23; Ex. 6, p. 14). On the other hand, even if Amtrak is willing to negotiate a new contract using avoidable costs to measure compensation for shared facilities, the problem, as we indicated, clearly is that Penn Central is seeking much more.

In part, Penn Central seeks to justify its refusal to utilize avoidable costing on the ground that it would be difficult, if not impossible, to identify all of the avoidable costs of passenger service (Volume I, pp. 26-27). The Commission should give this argument the short shrift that it deserves. When Penn Central sought to discontinue all of its east-west passenger train operations west of Buffalo, N. Y., and Harrisburg, Pa. (34 long-haul trains, operating over numerous routes), it presented and relied upon a massive avoidable cost study which it

prepared in only a matter of weeks (see Finance Docket No. 26106, Penn Central Transportation Company, Discontinuance of Trains,

I. C. C.). Penn Central Should not now be heard to claim that that an avoidable cost study is too difficult or too time consuming in the circumstances. As the attached letter from Jervis Langdon, Jr., one of the Penn Central Trustees, to Senator Vance Hartke shows, as early as 1971 Penn Central had determined not to make any avoidable cost studies for its corridor or other Amtrak operations.

Penn Central's problem is not one of urgency, but of obstinancy. It has had every opportunity to prepare an avoidable cost study and to demonstrate in what respects, if any, the present compensation under the Amtrak contract, or any new level of compensation that Amtrak may have since offered, falls short of the statutory standard of avoidable costs.

Another, and clearly related, argument advanced by Penn Central in support of its rejection of avoidable costing is that acceptance of Penn Central's profit-oriented approach is necessary in order not to "adversely tip the scales of the entire reorganization effort" (Volume I, p. 2).

If a Penn Central reorganization plan presently were before the Commission, it would then be timely for us to comment on whether the Commission might well be doing the public a favor if it did "tip the

scales" of a Penn Central reorganization. Suffice it to say that a great deal of meritorious debate has been held, and yet will be held, over the question of whether Penn Central can or should be reorganized, and if so, on what basis.

At this time, it is inappropriate for Penn Central to try to suggest that the Commission might be blamed for the utter collapse of Penn Central as a result of any adverse ruling to Penn Central in this proceeding, and premature for Penn Central to seek to justify its instant claims as part of any plan of reorganization. No such plan has, to our knowledge, been approved by Penn Central's reorganization court; and, certainly, no such plan has been presented to the Commission. Since no one knows whether any such plan will ever be presented to the Commission, the Commission should do no more than judge Penn Central's position on its merits.

Aside from the fact that the Congressional history of the Rail Passenger Service Act of 1970 militates against Penn Central's profit motives, and aside from the above-discussed disabilities and irrelevancies in Penn Central's presentation, the fact remains that Penn Central has not successfully assaulted avoidable costs as an appropriate measure of compensation.

Penn Central's witness McDonald seeks to demonstrate the fallability of avoidable costing by referring (Volume I, pp. 24-26) to the example of a facility shared by intercity and commuter passenger trains,

and by pointing out that if the proponents of each of these two services were to claim the same employee as being "avoidable," the employee's wages theoretically would not be attributed to either service. Thus, Mr. McDonald concludes that the relevancy of avoidable costing in any given situation "depends upon where one starts."

We agree. However, Mr. McDonald conveniently ignores that Penn Central has started at the place "where one starts" -- which is freight service. No one has proposed to discontinue the freight service within the corridor; the very issue here involved is discontinuance of the passenger service as a Penn Central responsibility. The issue now is no different than when Penn Central joined Amtrak. The problem then was the proposed discontinuance of passenger service, and that issue was dealt with (as it had been for 12 years previously under Section 13(a) of the Act) in the Rail Passenger Service Act of 1970 under an avoidable cost approach. So it is that service which must be considered on an avoidable basis -- as an increment of a plant which will continue to be utilized for freight service.

Penn Central's attempts to diminish the importance of freight service in the northwest corridor, are absolutely unrealistic. Statistically, the relationship between freight service and passenger service cannot be measured in terms of trains or train rules, as is suggested by Trustee Langdon in the letter to Senator Hartke attached hereto.

To the extent that right-of-way is involved, the traditional measure of service impact has been tonnage; and to the extent that yard facilities are involved, the traditional measure has been wheelage.

Sofar as we can determine, Penn Central's approach to corridor costing overlooks many of the physical characteristics of corridor freight operations. Granted, as De Leuw, Cather suggests, the speed of trains may have some impact upon an apportionment of expenses, and we believe that to be true even under an avoidable cost theory. But, likewise, time consumed by those trains must have some impact also. For example, the local freight trains that switch the hundreds of industries located along the corridor -- trains which creep along at slow speeds and which frequently pull off and on to the main line -- tie up use of the main line tracks to a far greater extent than indicated by mere number of trains. While time has not permitted an exhaustive analysis of the De Leuw, Cather study, it does not appear that this function of freight service has been accounted for. Yet this is but another example of why the ponderous, slow, and demanding nature of freight service makes freight service the "place to begin."

So far as freight service on the corridor is concerned, three things are abundantly clear: there is and will continue to be a massive amount of freight moving between points in the northeast corridor; Penn Central has not sought to abandon this freight service (thereby suggesting

that the service is profitable to Penn Central); and most lines over which Amtrak operates in the corridor are essential for freight service. There is no similar attitude of permanency which attaches to the passenger service -- especially in the context of the Trustee's expressed attitude toward the passenger service.

Perhaps, however, in the last analysis it need not be Penn Central's threat to discontinue passenger service which should control a determination of whether avoidable costs are the appropriate measure of compensation to be applied in this case. We must return to the concept that the bargain made by Penn Central, after it entered reorganization, was a bargain designed to relieve it of the then-claimed burdens of operating passenger service. Penn Central should not now be placed in any better position than it would have been had all passenger service on its lines been discontinued.

III. Return on Investment and Constitutional Questions.

We agree with Penn Central and the Girard Bank that Penn Central has a constitutional right to just compensation for the use of its facilities by Amtrak, which are in effect being continued for a public use. However, we believe that such just compensation must be measured by avoidable costs. These costs should include a return on the liquidation or scrap value of the property devoted to passenger service which could be sold off if passenger service were discontinued. See

Investigation of Costs of Intercity Rail Passenger Service, Interstate Commerce Commission, July 16, 1969, p. 74. Obviously the value of \$1.166 billion which Penn Central Witness John Guest assigns to Penn Central property used by Amtrak (37) is wildly in excess of what could be realized by selling off surplus property upon discontinuance of passenger service. Whether the \$1.166 billion is based on book value or liquidation value is not clear to us from the Penn Central presentation; it sounds more like book value, and if so, is irrelevant to this proceeding. We express no opinion as to the propriety of 7-1/2 percent as a rate of return.

"Just compensation" has been defined by the United States Supreme Court as "fair market value" -- "what a willing buyer would pay in cash to a willing seller." See Almota Farmers Elevator & Warehouse Company v. United States, 93 S.Ct. 791 at 794 (1973). As we have noted before, passenger service in the northeast corridor is a losing proposition, and there is no commercial interest in taking it over. Since the "going concern" value of property used in this service would be a substantial negative figure, the only relevant method of valuation is what the property would bring were it sold off for non-railroad purposes, i.e., scrap or liquidation value. See New Haven Inclusion Cases, 90 S.Ct. 2054 at 2104 (1970). The Fifth Avenue Coach case cited by both Penn Central and Girard Bank are inapplicable, because there the operation being condemned was treated as a "going

concern"; see the discussion in New Haven Inclusion Cases, 90 S. Ct. 2104, note 80.

"The commercial value of property consists in the expectation of income from it."

Justice Holmes in
G. H. & S. A. Ry. v. Texas
210 U. S. 217 at 226 (1908)

"Substantial prices are not paid for the privilege of conducting business at a loss."

Justice Cardozo in
Roberts v. New York City
295 U. S. 264 at 282 (1935)

These cases together with the New Haven case seem to dispose of the contention of the Girard Bank that "The history of deficit operation in the hands of the debtor is not relevant to the value of the property for public use," anything to the contrary in New York State decisions notwithstanding.

Girard cites Port Authority-Trans Hudson v. Hudson Tubes, 231 N. E. 2d 734 (N. Y. 1967) as authority for the proposition that just compensation can be no less than original cost. However, examination of the Hudson Tubes case reveals a unique fact situation in which the reproduction cost of the property (railroad tunnels) was \$300,000,000; the original cost \$32,000,000; and the liquidation or scrap value less than zero. Since it felt that an award of liquidation value would have been manifestly inequitable, the court awarded original cost. This case is an apt example of the old adage that "hard cases make bad law." In

at least one case, the U. S. Supreme Court has specifically rejected original cost as a measure of value in condemnation matters, U. S. v. T. H. & B. Navigation Company, 338 U. S. 396 (1939).

Girard implies that just compensation take into account the cost of reproduction of the facilities, on grounds that the public would have to pay this cost if the facilities did not exist. However, this contention ignores the familiar rule in condemnation matters that compensation is fixed in accordance with the value to the owner, not the value to the taker. United States v. Twin City Power Company, 350 U. S. 222 at 228 (1956). The constitutional principles involved here are analogous to those which govern rate-fixing matters and the Supreme Court has held squarely that reproduction cost need not be considered in rate cases, FPC v. Natural Gas Pipeline Company, 315 U. S. 575 (1942), and FPC v. Hope Gas Company, 320 U. S. 591 (1944).

The fact that the U. S. Supreme Court refused to review the Fifth Avenue Coach and Hudson Tubes cases cannot be interpreted as a holding that the awards represented a constitutional minimum. The Constitution does not forbid overpayments in condemnation cases, and the Supreme Court properly left that question to the people of New York. So in the present case, while a finding by the Commission and the bankruptcy court that Amtrak should pay Penn Central on a fully distributed cost basis might not be unconstitutional, neither is such a

result compelled by the Constitution.

The Constitution does not guarantee the recovery of fully allocated costs plus return on investment as to each and every item of business of a transportation utility. Indeed, as long as the service in question is not causing the entire enterprise to lose money, it is not necessarily unconstitutional to compel the service to be provided at an out-of-pocket loss, Baltimore & Ohio Railroad Company v. U.S. , 345 U.S. 146 (1953).

One of the many investigations that was made in the wake of the Penn Central bankruptcy was conducted by the Securities and Exchange Commission. One finding of that agency has particular relevance to this proceeding:

"Management also indicated repeatedly that the railroad's poor performance was caused by losses on passenger service. While losses from passenger services were growing and did contribute to the cash drain, management cited the passenger losses in ways which tended to shift attention from the overall losses of the railroad to the losses from passenger service. This accomplished two management goals. First, it made the railroad's problems appear to be the fault of the government and not the fault of management. Although the government-mandated passenger service did cause losses, management was able to deflect criticism away from its own ineptness, which was the cause of most of Penn Central's losses.

"The second effect of emphasizing passenger losses was to indicate that if and when the railroad was relieved of this burden by the government, investors could expect the railroad to operate at a profit. On more than one occasion, management stated publicly

that without the passenger service losses, the railroad would be operating in the black. Such statements were inaccurate.

"Management used two devices to achieve its goals in setting forth passenger service losses. First, it tended to emphasize the "fully allocated" losses rather than the lower "solely related" costs or the "avoidable" costs. The fully allocated costs include costs shared with freight service. Many of these costs would continue even if passenger service were abandoned. Solely related costs are the costs assigned by accounting to running the passenger service. Avoidable costs are costs which would be avoided by the discontinuance of passenger service. When used in the context of savings that might be achieved by relief from passenger service, the fully allocated costs conveyed an inaccurate picture.

"The second device used by management was to avoid comparing passenger losses with overall railroad operations losses. Such a comparison would have shown that the direct losses on passenger service were only a relatively minor portion of the overall operations losses. These were losses which would still be incurred even if Penn Central was relieved of all passenger service, and they were losses largely related to mismanagement and not government fiat."*/

WHEREFORE, Intervenors ask that the Commission advise the Bankruptcy Court that avoidable or incremental costs is the proper basis for determination by Amtrak to Penn Central for provision of passenger services and facilities.

*/ Staff Study of the Financial Collapse of the Penn Central Company, Securities and Exchange Commission, August 1972, p. 141.

I have read the foregoing statement, which I am authorized to make, and state that the contents thereof are true and correct.

/s/ ANTHONY HASWELL
Anthony Haswell

Subscribed and sworn to before me this 17th day of May, 1973.

/s/ MARY M. ORTEGA
Notary Public, D.C.

My commission expires July 31, 1975.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading has this day been served upon all parties of record by first-class mail postage prepaid.

Andrew P. Goldstein

Dated at Washington, D.C.

this 17th day of May, 1973



NATIONAL ASSOCIATION OF RAILROAD PASSENGERS

417 NEW JERSEY AVE., S.E., WASHINGTON, D.C. 20003
(202) 546-1550

October 12, 1971

CHAIRMAN

Anthony Haswell

DIRECTORS

Edmund K. Faltermayer
Andrew P. Goldstein, Esq.
Anthony Haswell
Otto Janssen
Barry C. Phelps
Charles W. Schoeneman, Esq.
W. James Truetzner, Jr.

The Honorable Vance Hartke
Senate Committee on Commerce
128 Old Senate Office Building
Washington, D.C. 20510

Re: Penn Central Revision of AMTRAK Compensation

Dear Senator Hartke:

ADVISORY BOARD

Laurence H. Armour, Jr.
Melvin M. Belli, Esq.
Ray Bradbury
James O. Braman
Bruce Calton
Prof. Henry Steele Commager
Huntington Hartford
Samuel Insull III
Jenkins Lloyd Jones
Dean Walter Kenworthy
Pauline Koch
Henry Luce III
Peter Lyon
Bill Mauldin
Lewis Mumford
John M. Olin
Prof. Mario Per
Sen. Claiborne Pell
Vincent Price
Sen. Winston Prouty
A. Philip Rapadolph
H. Lang Rogers
Burns W. Roper
Mayor M. E. Sensenbrenner
Whitney North Seymour, Esq.
Gov. Milton J. Shapp
Jerry Voorhis
Irving Wallace
Roy Wilkins
Prof. Charles Alan Wright
Sam Wyly

Thank you for supplying me with a copy of the letter of September 22 from Jervis Langdon, Jr., one of the trustees of the Penn Central, commenting on my letter to you of August 23.

The question of whether or not freight service is a "by-product" of a plant primarily required for passenger service in the Northeast Corridor is not settled by the train-mile data supplied by Mr. Langdon. If the comparison were made in terms of gross ton-miles - which directly affect the type of track structure that must be provided and the degree of maintenance that must be performed - freight would bulk far larger than Penn Central pictures it. "Nor is there any question, that AMTRAK services are a "by-product" of a railroad plant which must continue to handle freight and commuter services, the latter of which includes the so-called "200" series trains between New York and Philadelphia. It is the position of AMTRAK services, not all passenger services, that is in dispute.

In any event, determination of the amount of compensation owing Penn Central from AMTRAK does not hinge on the outcome of this academic debate. We repeat our view that "just and reasonable" compensation under the AMTRAK statute means compensation for those expenses incurred in the operation of intercity passenger services which would not have been incurred if such service were not operated - in other words, the avoidable or incremental expenses of provision of intercity passenger service by a railroad plant which would have to be maintained in any case for freight and commuter

EXECUTIVE DIRECTOR

Joseph Vranich

EXECUTIVE SECRETARY

Ann Hagemann

services. Even in a situation where a four-track passenger line could be cut back to a single, unsignalled track maintained for one slow freight a day, the problem and methodology is the same - computation of the additional amount of money that must be spent, both "above" and "below" the rail, on account of the provision of intercity passenger service. The intention of Congress in creating AMTRAK must not be subverted to give Penn Central or any other railroad a wind-fall over and above what they could have saved by discontinuing all intercity passenger service.

We have no objection to a review of this question by the Interstate Commerce Commission - provided, of course, that all interested parties are accorded adequate notice, the right to present evidence, cross-examine witnesses, file briefs, and obtain judicial review of the Commission's findings of fact and conclusions of law. It seems to us that Penn Central is well able to file its request directly with the Commission, in accordance with the Commission's normal procedures. In any event, for the reasons we have outlined, we ask that you do not refer this question to the Commission in a manner which implies your concurrence with Penn Central's position on the ultimate findings and conclusions that the Commission should make.

On a related subject, I would like to call to your attention the following comments contained in the "Second. Report of Trustees on Status of Reorganization Planning" recently filed with the federal court in Philadelphia which is overseeing the bankruptcy proceedings:

In the absence of indicated earnings from railroad operations, the Trustees have had to determine value, in the first instance, on the basis of an inventory and evaluation of the physical assets.


The physical valuation of the railroad properties, a task of unprecedented dimensions, will be completed by December 31, 1971. It will contain values predicated both on a "scrap" theory and one contemplating continuation of rail operations either by private owners or by public authorities. As soon thereafter as the Trustees have had an opportunity to review this study, its results will be reported to this Court.

I of course do not know if by the end of this year the Trustees will be able to forecast with any confidence that Penn Central will have earning power, or if so, whether such a forecast will withstand independent analysis. If it does, the property will have an earnings value separate and apart from, and presumably higher than, liquidation or scrap value. However, if no earnings are in prospect, liquidation or scrap value is the upper limit - indeed, the only measure of value - that must be paid for the property at a condemnation proceeding, regardless of who acquires it or for what purpose it is acquired. The Supreme Court reaffirmed this principle in the 1970 New Haven Inclusion cases.

However, implicit in the Trustees' statement to the court is an assumption that the valuation of the property in contemplation of continued operations by public authorities will result in an amount in excess of scrap or liquidation value, without regard to whether or not there is earning power. Such a valuation would then presumably be used by the Trustees in support of efforts to obtain from the government a substantially higher price for the property than if it were liquidated and sold piece by piece. If this position is in fact asserted and successfully maintained by the Trustees, hundreds of millions of dollars of public money may be diverted to Penn Central security holders rather than be used to improve rail service.

I suggest that you request clarification of this question from the Trustees, and that you obtain copies of the valuation studies at the earliest practicable date after they are transmitted to the Trustees on December 31.

Very truly yours,


Anthony Haswell
Chairman

cc: Senator Norris Cotton
George M. Stafford, Chairman, ICC
John W. Ingram, Administrator, FRA
Roger Lewis, President, AMTRAK
Jervis Langdon, Jr., Trustee, Penn Central

PENN CENTRAL TRANSPORTATION COMPANY

GEORGE F. BAKER, RICHARD C. BOND, JERVIS LANGDON, JR., WILLARD WIRTZ, TRUSTEES

SEP 22 1971

Philadelphia, Pa. 19104
September 22, 1971The Honorable Vance Hartke
United States Senate
Washington, D. C.

Dear Senator Hartke:

In his letter to you of August 23rd, Mr. Anthony Haswell has offered a number of comments in opposition to the Trustees' position regarding compensation for passenger services rendered to AMTRAK.

On several key points, Mr. Haswell's views appear to be based upon misapprehensions or factual errors:

1. As to the relative importance of passenger and freight services in the corridor.

Freight train miles account for only 30.9% of the total train miles operated between Boston and Washington. Even between Washington-Perryville and Newark-Trenton, cited by Mr. Haswell as high density freight territory, passenger service is predominant; freight train miles account for 45% and 23.2% respectively of the total train miles. In those two segments freight traffic could be accommodated on not more than two tracks appropriately signalled, whereas Penn Central has as many as six tracks in operation there and in other portions of the corridor. We believe these facts support the statement that in the Boston-Washington corridor passenger operations, whether intercity or commuter, constitute the principal service and freight the by-product.

2. We do not agree with Mr. Haswell that "the AMTRAK" law is clear that the upper limit of compensation paid to AMTRAK by railroads should be the avoidable or incremental expenses incurred by railroads...." In fact, the statute provides in section 402(a) that the compensation to be fixed by the Commission should be "just and reasonable." The compensation presently paid Penn Central falls far short of this statutory test. The Penn Central seeks no more than just and reasonable compensation. Given the specific facts of the Northeast Corridor operation, which is unparalleled anywhere else in the Nation, there are large amounts of money buried in the "joint and common accounts" which are in fact properly attributable to AMTRAK operations. Under the uniform contract which AMTRAK insisted that all carriers sign, these expenses are being borne by the bankrupt Penn Central and represent a substantial drain on the estate. Mr. Haswell's reference to "backdoor subsidies" is sadly misplaced. It is the Penn Central which is being forced to subsidize AMTRAK's operation -- a burden which it is singularly unable to bear.

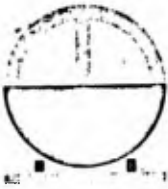
Under the terms of the AMTRAK contract, the cost reimbursement provisions are subject to renegotiation effective July 1973. However, Penn Central is finding it hard to wait this long to be compensated on a "just and reasonable" basis. We would respectfully request, therefore, that for the benefit of both AMTRAK and Penn Central the Interstate Commerce Commission be directed by you as Chairman of the Senate Subcommittee on Surface Transportation to institute a study to determine the proper share of expenses which each should assume in the corridor between Boston and Washington. This will provide Penn Central the opportunity to prove its position as requested by Mr. Haswell.

It would be appreciated if, in your direction to the ICC, a response from that body within ninety days could be requested.

Sincerely,


Dervis Langdon, Jr.

cc: George M. Stafford, Chairman
Interstate Commerce Commission
Carl V. Lyon, Acting Administrator
Federal Railroad Administration
Roger Lewis, President
National Railroad Passenger Corporation



NATIONAL ASSOCIATION OF PUBLIC AND FREIGHT TRAINERS

417 NEW JERSEY AVE., S.E., WASHINGTON, D.C. 20003
(202) 546-1550

August 23, 1971

CHAIRMAN

Anthony Haswell

DIRECTORS

Edmund K. Faltermayer
Andrew P. Goldstein, Esq.
Anthony Haswell
Otto Janssen
Barry C. Phelps
Charles W. Schooneman, Esq.
W. James Truettner, Jr.

The Honorable Vance Hartke
Senate Committee on Commerce
128 Senate Office Building
Washington, D. C. 20510

Penn Central - Revision of AMTRAK Compensation

Dear Senator Hartke:

ADVISORY BOARD

Laurance H. Armour, Jr.
Melvin M. Belli, Esq.
Ray Bradbury
James D. Braman
Bruce Cattum
Prof. Henry Steele Commager
Huntington Hartford
Samuel Insull III
Jenkin Lloyd Jones
Dean Walter Kennen
Pauline Kuch
Henry Luce III
Peter Lyon
Bill Mauldin
Lewis Mumford
John M. Olin
Prof. Mario Pet
Sen. Claiborne Pell
Vincent Price
Sen. Winston Prouty
A. Philip Randolph
H. Lang Rogers
Burns W. Roper
Mayor M. E. Sensesbrenner
Whitney North Seymour, Esq.
Gov. Milton J. Shapp
Jerry Voorhis
Irving Wallace
Roy Wilkins
Prof. Charles Alan Wright
Sam Wyly

EXECUTIVE DIRECTOR

Joseph Vranich

EXECUTIVE SECRETARY

Ann Hagemann

I have read with interest and concern the letter of July 13 to you from the Penn Central trustees, in which they suggest that the Interstate Commerce Commission be directed by the Congress to rule prior to December 31, 1971 that AMTRAK's compensation to Penn Central be increased by \$34.1 million in 1972.

The trustees argue first that the passenger portion of expenses in the Washington - New York corridor which are "common" to both passenger and freight service be included in the amount owing from AMTRAK. In support of this position, the trustees contend that unlike the usual situation, passenger service is the "principal service" in the Northeast Corridor, with freight service the "by-product."

In our view, this is a grossly misleading picture of Penn Central operations between New York and Washington. The railroad handles an enormous amount of freight on this route. Between Washington and Perryville, Maryland and between Newark and Trenton, freight traffic density is among the heaviest in the nation. Were passenger service discontinued, the freight traffic undoubtedly would require continued maintenance of a heavy, double-track main line the entire distance, with at least some portions signalled for reverse movements. In short, neither freight nor passenger service in the Northeast Corridor can be considered principal or by-product - both produce large volume and both are equally vital to the public. Moreover, the ICC has now ruled

that the "200" series trains between New York and Philadelphia are not intercity passenger trains. Accordingly, the fixed plant that Penn Central would have to maintain between New York and Philadelphia in the absence of AMTRAK would have to be sufficient for these passenger trains as well as the freight service.

Regardless of the "principal - by-product" dispute, the automatic inclusion of the passenger share of the "common" expenses cannot be justified. The AMTRAK law is clear that the upper limit of compensation paid by AMTRAK to railroads should be the avoidable or incremental expenses incurred by railroads, either in the provision of intercity passenger service for AMTRAK, or on account of the operation of intercity passenger trains by AMTRAK. The law does not contemplate that railroads should receive windfall benefits over and above the savings that could be attained had they simply been allowed to discontinue all intercity passenger trains.

Penn Central should have the burden of identifying and proving each such item of savable expense. If past experience is any guide, it will be unable to justify anywhere near \$34 million increased compensation from AMTRAK. In the 34 train discontinuance case before the ICC in 1970, Penn Central's avoidable cost presentation contained numerous errors and deficiencies, resulting in substantial overstatements of indeterminable amounts.

The trustees also claim that Penn Central is entitled to a "return" on its investment in passenger facilities. We believe that any amounts in this category must be limited to the return on the salvage value of property now tied up in passenger service, which could be used elsewhere and/or disposed of if that service was discontinued. See Chapter Investigation of Costs of Intercity Rail Passenger Service, Interstate Commerce Commission, July 1969.

The primary purpose of the AMTRAK law was to revitalize passenger service, not to bail out Penn Central or any other railroad. If this intention of the Congress is to be upheld, any request of Penn Central for more AMTRAK compensation must be denied unless and until the trustees can prove their claim in the manner in which we have outlined. AMTRAK must not become a vehicle for back-door subsidies to the Penn Central at the expense of the travelling public.

Very truly yours,

Anthony Haswell
Chairman

cc: Senator Winston Prouty
George M. Stafford, Chairman, ICC
Carl V. Lyon, Acting Administrator, FRA
David W. Kendall, Director, AMTRAK
Penn Central Trustees

AH:fah

Mr. DINGELL. The committee is grateful to you for your helpful presentation. The Chair notes you have made a number of suggestions with regard to amendments to the fundamental Amtrak statute. Would you care to address yourself at this particular time to these?

Mr. HASWELL. I certainly will.

First, we believe that Amtrak would be more responsive and effective if there were greater public interest representation on its board of directors. Some of the directors of Amtrak have done I think a fine job under the very difficult circumstances that have faced them, but some of them we have been quite disappointed with.

We suggest that four members of the board be appointed by the Congress, and four by the President. While this perhaps is a little bit unusual, I think it would be effective. I have tried to structure the language to assure that at all times there would be a balance between the House and Senate, between the Congress and the President, and between the two political parties.

I hope that a sharp analysis of the proposed language would conclude it is effective to do that.

We also believe that railroad directors have contributed very little to Amtrak, and that they should not be on the board of directors. Certainly, at the present time with the demand by the railroads for \$80 to \$100 million more from Amtrak, there is a conflict of interest, to have three rail executives on the Amtrak board. I say that despite the fact that under the statute they are technically not permitted to vote on matters involving contractual relationships between Amtrak and the railroads. I think it is entirely unrealistic to assume that this restriction would totally eliminate their influence over the final decision of the Amtrak board on these matters.

We remind the committee that there has been a vacancy on the Amtrak board of directors now for almost 2 years, which directorship is specifically designated as the consumer representative. I do not believe it is necessary to have a specific slot designated as such if there is both bipartisan appointments and appointments split between the Congress and the President.

We suggested that the basic system be required to be operated until July 1, 1977, with flexibility to change routes and make adjustments between end points. We are not suggesting that Congress nail down all of these trains precisely where they are now. But Amtrak simply has not begun a meaningful experiment with high-quality service on a lot of these routes. That is why I have grave concern with the suggestion of the bus people and others that there be some monetary standard of losses which, if the losses rose above such standard, would allow an automatic right of discontinuance. If a decision is made that a certain pair of trains are to go, it would be too easy to allow losses to be generated. We learned that during all the years we had to deal with the railroads before Amtrak.

We suggest here that the present ratio of State-Federal participation in State-subsidized operations be reversed. It is now a one-third Federal and two-thirds State. If it were reversed, it would be consistent with the mass-transit legislation, and I believe also with the highway legislation other than the Interstate System. This change would encourage some useful addition of service, including service which would feed more people into the basic system trains and, therefore, make them healthier.

As indicated in my statement, there is too much evidence that some railroads are not allowing Amtrak trains to operate on dependable, fast schedules. The railroads are giving preference to freight trains. I renew my suggestion of a year and a half ago that a mechanism be put into the law to give Amtrak some relief. This would not be arbitrary. It is understandable that in certain railroad operating situations, the addition of a couple of passenger trains with absolute right of preference could seriously interfere with freight traffic. But I think we have to establish a presumption of preference for passenger trains and let the railroads come in then and make a case for adjustments.

Finally, we support the notion that Amtrak funds should not be subject to impoundment. I know this is a very lively controversy, but \$9.1 million of Amtrak money has been impounded, which was lawfully appropriated by Congress. The Senate Commerce Committee has reported out a bill which contains what seems to me to be effective language in this regard. Since the technicalities of drafting language in this area is something beyond my direct competence, I would refer you to the Senate language on that subject.

As indicated before, we support the idea that Amtrak should have the power of eminent domain. Basically, we support increased funding for Amtrak, provided that such funding is going to benefit the public.

Mr. DINGELL. Thank you.

Mr. Skubitz, any questions?

Mr. SKUBITZ. I have no questions. I do want to commend Mr. Haskell for an excellent statement. I am pleased that someone is here for the public.

Mr. DINGELL. Mr. Shoup.

Mr. SHOUP. Thank you, Mr. Chairman.

On page 7 of your statement do you happen to have the figure for buses?

Mr. HASWELL. The buses are slightly better than trains. I would be glad to supply you with the figure.

Mr. SHOUP. The reason I make this point is that Mr. Thompson has provided figures and on page 5 you speak of air pollution, in direct conflict to his contention. He contends that studies indicate that bus transportation, intercity buses, would contribute about 67 percent less pollution than diesel powered trains, and I think you make the opposite contention on page 5.

Mr. HASWELL. Mr. Shoup, I think that both of these figures are dependent upon certain assumptions about load factors and about the number of cars on a train. A lightly loaded train with only two or three cars still has to have a locomotive which obviously creates pollution.

Mr. SHOUP. Mr. Thompson spoke of 100-percent load factor for both modes, and in your statement on page 5 you use a per seat mile, not the passenger mile, so I think you are speaking of 100-percent load factor.

Mr. HASWELL. Yes; that would be correct. There is still a question of how many cars.

Mr. SHOUP. I don't want to get argumentative, but I wanted to point out the problem if we are considering pollution, who is correct.

Mr. HASWELL. I will submit a supplementary statement for the record.

Mr. SHOUP. I would appreciate that.

Mr. HASWELL. And I will cite the source of the data.

Mr. SHOUP. You did state that concerning energy consumption that the bus is consuming, that energy consumption is less than on rail?

Mr. HASWELL. Again, that is under certain assumptions, as I say, as to the length of the train.

Mr. SHOUP. Well, you neglected and may I say under the assumptions you make under paragraph (d) and at the top of page 7, if we added the category "bus"?

Mr. HASWELL. "Bus" would be lower than the train.

Mr. SHOUP. Lower than the train.

Mr. HASWELL. Yes, it would. This data comes from a study recently done for Amtrak by Harbridge House, which I will supply you with. [The following letter was received for the record:]

NATIONAL ASSOCIATION OF RAILROAD PASSENGERS,
Washington, D.C., June 13, 1973.

Hon. RICHARD G. SHOUP,
Longworth House Office Building,
Washington, D.C.

DEAR MR. SHOUP: During the hearing this morning on Amtrak, you asked that I supply the figure on relative energy consumption for busses to go along with the figures in my prepared statement on trains, planes and autos. The figures for all modes are as follows:

<i>Relative model consumption of energy (per passenger mile)</i>		<i>Index</i>
Bus	-----	0.64
Rail	-----	1.00
Auto	-----	2.50
Air	-----	5.70

These figures appear in a report prepared for Amtrak dated February 1973 by Harbridge House, Inc., a consulting firm based in Boston. The source cited is Eric Hirst, *Energy Consumption for Transportation in the United States*, Oak Ridge National Laboratory, March 1972. The Harbridge House report does not indicate what assumptions were made with regard to load factors or to the capacity of the respective vehicles.

You also pointed out that the testimony of the NAMBO representative contradicted my statement that diesel trains create less pollution per seat mile than busses. However, NAMBO does not indicate what assumptions were made with regard to the relative capacity of the train and bus . . . Furthermore, a quantitative comparison of emissions does not accurately measure the relative impact of pollutants. Trains operate on rights of way sufficiently removed from concentrations of people so that most pollution is diffused into the atmosphere before it creates much adverse effect. By contrast, busses must spend a significant portion of their trips on the city streets, including frequent, high emission accelerations from stops at intersections.

Sincerely,

ANTHONY HASWELL, *Chairman.*

Mr. SHOUP. No further questions.

Mr. DINGELL. Mr. Haswell, the committee is grateful, and you have been most helpful to the committee over the years in our deliberations, and we thank you.

Mr. HASWELL. Thank you very much.

Mr. DINGELL. If there is no further business to come before the committee the chair announces the matter now under hearing will be the subject of executive session tomorrow and the chair does also advise the record will remain open for an appropriate period for any additional submissions to be made to the committee by persons appearing here today, or other persons having an interest.

If there is no further business to come before the committee, the committee stands adjourned.

[The following statements and letter were received for the record:]

STATEMENT OF HON. GEORGE M. STAFFORD, CHAIRMAN, INTERSTATE COMMERCE COMMISSION

Mr. Chairman, members of the subcommittee, I am George M. Stafford, Chairman of the Interstate Commerce Commission and I am pleased to have the opportunity to present the view of the Commission on H.R. 8351, a bill to amend the Rail Passenger Service Act, as amended, to provide financial assistance to the National Railroad Passenger Corporation (Amtrak) and for certain other purposes.

Generally, the bill establishes procedures for acquisition of property by Amtrak; amends procedures for discontinuing service on trains within the basic system; changes the reporting date for Amtrak's annual report to Congress; increases the Federal Government's financial commitment to Amtrak; and readjusts jurisdiction over control of adequacy of service.

Section 1 of H.R. 8351 amends section 305 of the Act to give Amtrak eminent domain authority in certain circumstances. Section 3 of the bill establishes procedures to submit disputes concerning Amtrak's actual need for such property and the terms of acquisition to the Commission for resolution. We have no objection to the enactment of these two sections.

Section 2 of the bill amends section 308(b) of the Act and requires Amtrak to submit its annual report to Congress on March 15 rather than January 15. This coincides with the annual reporting requirement effective 1974 of this Commission and the Department of Transportation. In our first report to Congress, made pursuant to section 308(b) of the Act and dated October 30, 1971, we suggested that the filing date for these reports be staggered. It was our position then, as it is now, that our report would be more helpful to Congress if it were submitted after Amtrak's so that we could comment upon Amtrak's analysis and recommendations. Therefore, we urge that Congress not establish simultaneous reporting dates. If Congress wishes to extend the time in which Amtrak can file its annual report, then we believe that the filing date for the Commission's report should be changed to May 15 so as to maintain a 60-day time period for us to comment.

The amendment to section 404(b) of the Act, as proposed in section 4 of the bill, gives Amtrak the authority to discontinue service within the basic system after July 1, 1973, without complying with section 13a of the Interstate Commerce Act. The Secretary's stated justification for this change in procedure is that Amtrak service is subsidized by the Federal Government. This position is at odds with the existing provisions in the Act and with the legislative history which clearly shows that Congress intended Amtrak to be subject to the provisions of section 13a once the three-year trial period ended.¹ The justification for such a change appears specious in that it adopts as controlling a profit test for maintenance of service. Instead, we feel the test should be public convenience and necessity. In the latter, the financial factor is a consideration in determining whether or not service will be continued, but it is not the sole factor, and it is our conviction that Congress did not so intend.²

This amendment also gives Amtrak the prerogative to discontinue service within the basic system in special instances where the discontinuance is between points designated by the Secretary in his "Final Report on the Basic National Rail Passenger System" of January 28, 1971. In these special instances, the discontinuance would be subject to only a decision by the Secretary; the decision would not be reviewable in any court.

We believe that if the Secretary's decision cannot be reviewed by the courts, the possibility remains that the Secretary might not have given due consideration to such factors as adequacy of transportation facilities, potential patronage, or

¹ H. Rep. No. 91-1580, 91st Cong., 2d Sess., at p. 5: "Fifth, in the case of trains within the basic system, or added to the system by section 403(a), operated by or on behalf of the Corporation, they may be discontinued after July 1, 1973, under a normal section 13a proceeding."

² Statement of Rep. Ottinger on the Floor of the House at the time of final passage on October 14, 1970, appearing in the Congressional Record of that date at p. H10103: "Nevertheless, the corporation will be required to run passenger trains over some unprofitable routes when necessary in the public interest, so it is possible that this new program will have to be funded by the Congress on an annual basis."

public need. The possibility exists the overall Federal Government budgetary restraints may prevail over public convenience and necessity. Either the present law should remain intact or provision should be made for judicial review of the Secretary's decision.

Section 5 of the bill removes the financial assistance ceiling for Federal grants to Amtrak contained in section 601(a) of the Act and eliminates the specific allotments designated for development and operation of international rail passenger service as provided for in section 601(b) of the Act. In similar action to improve Amtrak's financial posture, section 6 of the bill increases the amount of Federal guarantees now established in section 602 of the Act from \$200 million to \$500 million and subjects the Secretary's discretion in issuing guarantees to the approval of the Secretary of the Treasury.

We have no objection to the increase in funding which is being made available to Amtrak. This viewpoint concurs with our prior comments that initial funding for Amtrak was insufficient. However, if the new guaranty provision is to meet its stated purpose, which is "to upgrade the motive power and passenger cars and to improve facilities and rights-of-way in FY 1974 and succeeding years," then to achieve these purposes, the bill should be amended to expressly provide that certain amounts of authorized funds be earmarked so as to insure the accomplishment of the stated objectives.

In the letter transmitting this legislation to the Congress, the Secretary of Transportation stresses the need to clarify jurisdiction over safety between the Commission and the Federal Railroad Administration. We wholeheartedly agree. Since all of the Commission's safety functions were transferred to the Department of Transportation under Public Law 91-518, this responsibility should logically reside with and be enforced by the Secretary. However, the Commission expresses deep concern over section 7 of the bill in its present form. If enacted, we believe that section 7 would effectively emasculate our present jurisdiction over adequacy of service.

Certainly, it was the intent of this Committee to make sure at the time of the passage of the Rail Passenger Service Act of 1970 that the Commission had the requisite authority. In commenting on the original Amtrak bill, S. 3706, the Senate Committee, indicating its own belief that the Interstate Commerce Act as it then stood already provided the requisite jurisdiction involved here, stated, in S. Rep. No. 91-765, 91st Cong., 2d Sess., at p. 17:

"The object of subsection 401(e) is to reverse the recent ruling of the Interstate Commerce Commission in the Southern Pacific Sunset "adequacies" case that the ICC has no power to require adequate standards of service on passenger trains and that enforcement of the obligations of Section 1(4) is exclusively the province of the courts. The subsection would make clear that the Commission's power to execute and enforce the provisions of the act includes all obligations and duties imposed thereunder.

"The committee is not convinced that the Commission was correct in finding that it does not presently have the power to require adequate standards for rail passenger service. Its decision may yet be overruled by the courts. Nevertheless, clarification of the law at this time seems eminently desirable.

"The committee believes that the effect of all the amendments to the Interstate Commerce Act embraced in this Section 401 is to vest in the Commission complete and comprehensive jurisdiction over all aspects of standards of service on and with relation to railroad passenger trains, except to the extent that such matters are specifically delegated to the Secretary as part of his duties under Title II pertaining to the National Rail Passenger System."

The grant of power to the Commission over the adequacy of service on passenger trains was included by the Senate Committee as one of the four "primary objectives" of the predecessor bill. Later, Senator Magnuson emphasized in debate that the bill ultimately enacted "meets those primary objectives in every respect as well as S. 3706 and in some respects in a preferable way". (*Cong. Rec.*, May 5, 1970, p. S. 6648).

The scope of the "adequacies" jurisdiction was discussed to some extent during the course of the supplemental hearings before this Subcommittee, and it is clear that the existing statute confers on the Commission full authority over the quality of dining cars and all other equipment, facilities and service.

As the Subcommittee can see from reading section 7 of the bill, the Commission would be prohibited from making regulations concerning, "the scheduling or frequency of service, or the number or type of cars in a train, or that otherwise conflict with the service characteristics established by the Secretary for the basic system".

The Commission believes that quantity of service is inextricably intertwined with adequacy of service. Whether there is one train per month or per day between Chicago and New York City is a matter of quality as well as quantity. The same could be said as to whether or not a sleeping or dining car is attached to a train running from Seattle, Washington, to Minneapolis, Minnesota.

If the original Congressional intent is to be preserved, we would suggest that the two words "safe and" be deleted from the first sentence of the present section 801. The amended sentence would then read:

"The Commission is authorized to prescribe such regulations as it considers necessary to provide adequate service, equipment, and facilities for intercity rail passenger service."

For your information, you may wish to know what the Commission has done to assist in improving Amtrak's performance. Pending the adoption of formal rules, the Commission established an interim program of inspection and observation of Amtrak as to the conditions of service, equipment, and facilities for intercity rail passenger service. This service inspection effort got underway in August 1971. To date over 1200 reports have been received of agents' investigations of trains and passenger facilities located throughout the country.

The reports cover such matters as train scheduling and operation, including on time performance, delayed trains or failure to make connections, running times; consist of trains, including number and types of cars; general condition of equipment (cleanliness, lighting, air conditioning); drinking water available, toilet facilities; adequacy of stations, including information covering waiting rooms and restrooms as to their sanitation, cleanliness, debris and objectionable odors; ticket sales facilities, train information service; facilities for checking baggage; and public relations of Amtrak, including attitude and courtesy of personnel, and local advertising campaigns. Copies of these reports are furnished to our Bureau of Enforcement for its use in making the record concerning the quality of rail passenger service in the Commission's rulemaking proceeding Ex Parte No. 277 (Sub-No. 1), to establish standards of adequacy of intercity rail passenger service. A copy is also forwarded to Amtrak as information for its consideration in its program to make Amtrak train service more attractive and responsive to the needs of America's travelers.

Officials of Amtrak are very appreciative of having the benefit of the findings of the Commission's adequacy-of-service inspection program. They have found the agents' reports to be very informative and useful, particularly the reported conditions of service, equipment, and power over the Amtrak system.

The Commission has received, and continues to receive, complaints from Members of Congress, and the general public, concerning the quality of Amtrak service, requests for fare refunds, and communities left without passenger service, etc. These complaints are acknowledged by the Commission, including an explanation of its role and information concerning our rulemaking proceeding to develop passenger standards. The complainant's correspondence is then forwarded to Amtrak for consideration and reply.

In terms of our additional responsibilities under the Act, on April 19, 1973, the Penn Central Transportation Company filed an application with the Commission for determination of the basis upon which the Debtor's estate is to be compensated for rendition of services required by Amtrak. This request was a result of an order of the Reorganization Court entered April 4, 1973, directing the trustees to take this action and requesting the Commission to make this determination. Amtrak, however, filed a statement claiming that the court order was improper; that the agreement between Amtrak and the Penn Central Railroad requires that Amtrak file the application with the Commission; and that, therefore, the Commission has no jurisdiction in the matter.

The jurisdictional dispute has been resolved by the filing with us of a joint petition by the National Railroad Passenger Corporation and the Penn Central Transportation Company, dated May 10, 1973.

The application was filed pursuant to section 402(a) of the Act of 1970 and requests that the Commission determine just and reasonable compensation for the services and facilities provided by the railroad to Amtrak. The matter is now under active consideration by the Commission.

Finally, suggestions have been made as to steps that might be taken to improve the ability of Amtrak to provide quality service in the future. Some have suggested the Federal Government acquire the necessary right-of-way for operation of a high-speed rail passenger service in the Northeastern corridor between Boston, Massachusetts, and Richmond, Virginia, and that such service be pro-

vided by Amtrak. In contemplation is a service at speeds well in excess of 100 MPH and possibly in excess of 200 MPH.

The Northeast corridor undoubtedly has the population and geographic characteristics which make passenger rail service of this quality highly desirable and probably necessary. The area is generally level. It has populous cities located generally in a straight line along the Atlantic Seaboard, at distances short enough to make highspeed, mass ground transportation practical and convenient from the users standpoint and economically feasible. If a map of the United States were visualized with population represented by mountains, the Northeast corridor would look like the Himalayans and the rest of the country, much like the Great Plains. A computer depiction of this is attached. Also attached is a bar graph showing the same phenomenon. The nine States and District of Columbia which make up this megalopolitan corridor have a population density of 3,550 persons per square mile. The comparable figure for the United States at large is 58.

A major part of the territory's economy consists of service industries requiring a great amount of travel, e.g., business and finance, insurance, real estate, and government. Highways already consume a large part of the area's real estate and highway traffic as well as air traffic and have become heavily congested, and, at times, almost intolerable. A service that could provide quick and pleasant high-speed transportation by rail from downtown to downtown would go a long way to resolving the congestion problem. The willingness of business travelers to use such transportation is evidenced by the popularity of the Metroliner service.

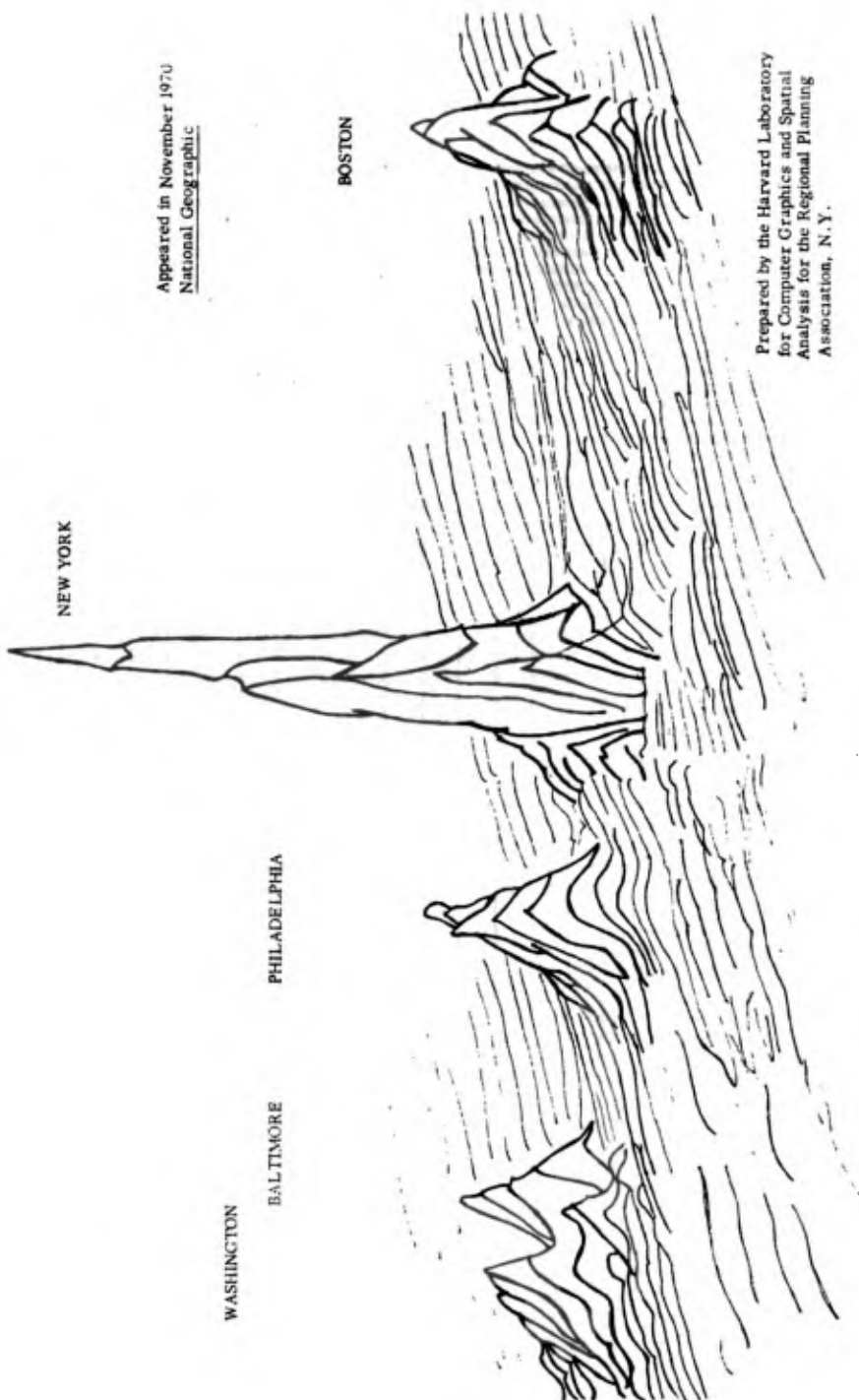
The Federal Government's role in developing such passenger rail service, and how the needed right-of-way could be obtained, will no doubt be major subjects of discussion not only in these hearings, but as the Congress deals with the broader problems of rail service in the entire Eastern region. The Commission's staff is now looking into this matter. Our studies will look not only at the cost of acquiring rail right-of-way between Washington and Boston, but also at the problems of providing freight service in the corridor, particularly to customers located directly on the track needed for passenger service.

Until we have gone further with these studies, we are not prepared to endorse any immediate outlay of Federal funds for acquisition of track or other rail properties between Washington and Boston. We do, however, believe that it should be made clear that Amtrak has the statutory power to obtain the needed rights-of-way and to operate high-speed rail passenger service in the Northeast corridor. Thus, it could move promptly when and if the Congress determines that such a project should be funded and executed.

We would like to point out that enactment of our proposals for handling the Northeast rail crisis submitted to Congress on March 26, 1973, would affect Amtrak. This is especially true of those provisions in Title III which provide for the selection of a primary system of main lines, yards, and terminals to be upgraded pursuant to a Federally-funded construction program administered by the Commission. The selection procedures outlined in section 302 of that draft legislation specifically require the Department of Transportation to participate in the process. The Department is directed to submit recommendations for corridors in which high-speed passenger service would appear to be in the public interest. Other provisions help bolster the entire rail situation in the Northeast where initiation of liquidation proceedings for bankrupt carriers might cause Amtrak's Northeastern service to disintegrate into chaos.

The Commission appreciates the opportunity to comment on this legislation.

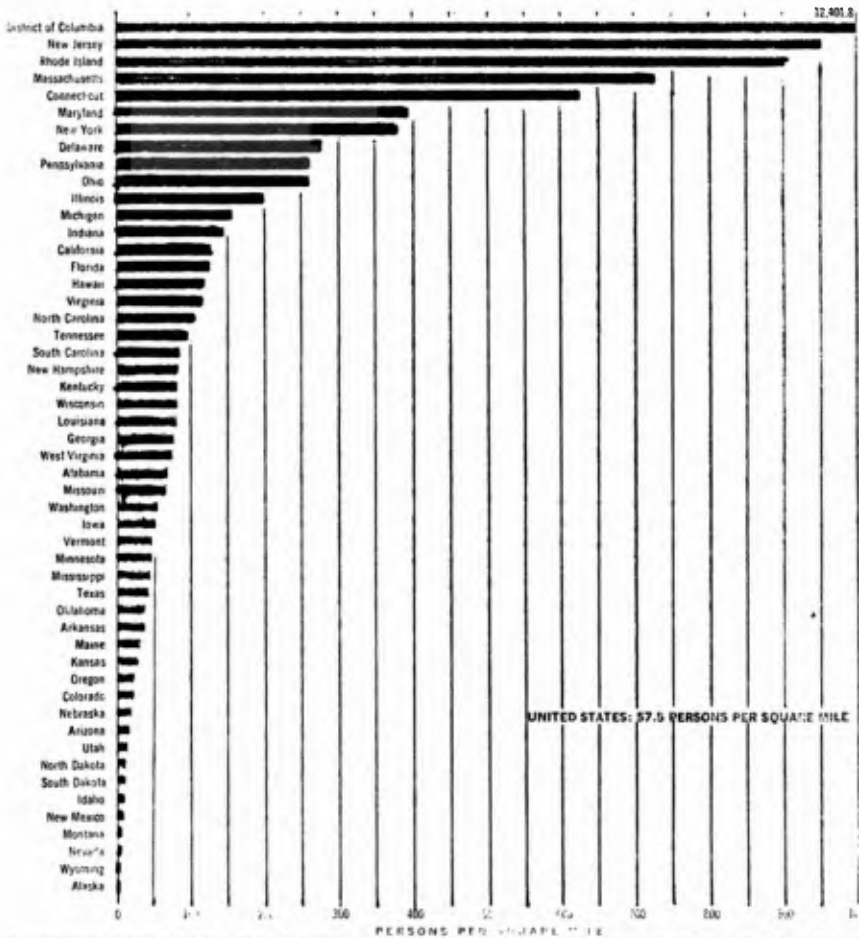
[Attachments.]



Appeared in November 1970
National Geographic

Prepared by the Harvard Laboratory
for Computer Graphics and Spatial
Analysis for the Regional Planning
Association, N. Y.

FIGURE 24 STATES RANKED BY POPULATION DENSITY: 1970



1970 U.S. CENSUS OF POPULATION, U.S. Department of Commerce, Bureau of the Census

STATEMENT OF J. R. SNYDER, NATIONAL LEGISLATIVE DIRECTOR, UNITED
TRANSPORTATION UNION

Mr. Chairman and Members of the Subcommittee on Transportation and Aeronautics. My name is J. R. Snyder. I am National Legislative Director for the United Transportation Union. With me is A. M. Lampley, Assistant National Legislative Director. We are appearing here today on behalf of the United Transportation Union which represents most of the operating employees of our railroads—the conductors, brakemen, firemen, many engineers, and the switchmen. In addition, we also represent many dining car stewards and yardmasters. We are vitally interested in the success of Amtrak. Because of our interest, we are here today requesting vastly improved funding for the National Railroad Passenger Corporation (Amtrak), so that it may fulfill the mission which Congress gave it when it passed the Rail Passenger Service Act of 1970.

We have been concerned by the appearance of unfavorable and extremely critical remarks which appear from time to time in the public press relating to the operation of Amtrak, specifically in regard to speed, comfort, amount of patronage, reservation system, rough riding on some lines and so forth. Constructive criticism is always valuable if it has merit and will lead to improvement. But much of the criticism of Amtrak operation comes from its opponents who want to see an end to rail passenger service in the United States and who propose and support no effective means to overcome defects in the service, make it more responsive to the needs of traveling Americans and make it so improved that it will be a leader in the world. Amtrak has considerable distance to go to become such a leader, but with sufficient funding and progressive competent management, it can and will provide us with the best surface intercity transportation.

We said when Amtrak was established that the funding was far short of what was needed and partly as a result of our vigorous efforts at that time, \$100 million was added to appropriations for Amtrak when the Rail Passenger Service Act was passed in 1970. From its first day of operation, May 1, 1971, it has been evident that more money was needed to get a true national railroad passenger service to function properly.

It is not necessary to recount the situation in detail that existed on May 1, 1971 when Amtrak took over what was in the main an extremely deteriorated service. It is perhaps necessary to remind most of us that lacking the funds to do differently, Amtrak was forced to slash an already skeletonized rail passenger service over the entire United States to less than half its size. Thousands of cities were thus deprived of service and the connections by which people could travel from one city to almost any other.

With the exception of the Washington-New York City-Boston corridor in the Northeast, most intercity services were cut to one schedule daily or even to a three-times weekly basis. Such a limited choice of departure times has forced an untold number of would-be passengers to use other modes with more frequent schedules or to drive their own automobiles. Most Members of Congress are acutely aware of the need for expanded and improved rail passenger service for their constituents.

The aim of Amtrak is to become a profitable passenger service operation. We think that given the reasons for the creation of Amtrak by Congress, it is clearly unreasonable to expect that such a corporation can become entirely self-supporting before 1978 at the earliest. If sufficient funding by Congress, addition of mail and express revenues and schedules which the public sorely needs, expansion of intercity service to serve the major population centers of this country on a frequent center city to center city basis and acquisition of new, comfortable equipment designed to travel over existing roadbed at reasonably high speed cannot be supplied this year—it may be 1980 or later.

Facts supporting our views have been embodied in the statement of Mr. Anthony Haswell, Chairman of the National Association of Railroad Passengers before the Senate Subcommittee on Surface Transportation hearing on Amtrak oversight and funding held May 16, 1973. It is our understanding that Mr. Haswell will appear before your Subcommittee and present the same information. We see no useful purpose in duplicating these facts and, therefore, will not take up the Subcommittee's time by reporting them here. Mr. Haswell's statements in regard to the opposition of the bus industry and the opposition of rail carriers who wish to carry freight only are very well taken.

It is necessary at this point to bring to the attention of the Congress the attempt of the Penn Central Transportation Company trustees to gain additional payments from Amtrak to meet what these trustees allege to be full payment of

"allocated costs". A demand for payment of such costs is contained in ICC Finance Docket No. 27454 now before the Interstate Commerce Commission. By joining Amtrak, the Penn Central was relieved from its losses due to operating passenger service. It is now attempting to evade the purpose of the Rail Passenger Service Act and turn the relief granted by the Act into a large to be paid by Amtrak. If the Penn Central is successful in this attempt, all other Amtrak roads will do the same and the rail passengers will receive not one slightest benefit but will pay higher fares for nothing.

H.R. 8351, the bill which is before this Subcommittee today seems to be primarily oriented toward giving the Administration, through the Secretary of Transportation, more complete control over the fate of railroad passenger service. The control of Congress and the Interstate Commerce Commission, an agency of Congress, is diminished.

We do not find the granting of eminent domain to Amtrak objectionable, indeed we support it. We do find the rest of H.R. 8351 objectionable in that it gives, through the Secretary, life and death powers to an Administration which is openly hostile to the continuance of Amtrak. The cat would have custody of the mouse.

We, therefore, urge this Subcommittee to revise this bill of its own which would provide funding for an improved and expanded rail passenger service which Americans can use throughout their land and be proud of when comparisons are made with foreign service.

Amtrak should receive in such a bill a mandate to provide an Amerail Pass, an unlimited rail travel ticket for use by visitors to our land. Europe has long had such a pass which thousands of American tourists, have taken advantage of. "See America First tours with attractive rates, stopovers and side trips to the many points of interest in the United States should be required of Amtrak.

Amtrak holds so many unfulfilled possibilities not yet put into being. On a limited scale it has run ski excursions. New passenger equipment for the intercity trains should be put into service on an expedited basis and the older equipment used on tours and excursions to the Nation's Capital and to any point which would attract vacationers, tourists and the person wanting a carefree outing. Witness the capacity crowds on Southern Railway's steam excursions.

America is a great land with great resources and population. Thinking small will destroy Amtrak. It has great ecological advantages in that it can transport great numbers of people with minimal pollution. The more people it carries, the more and less expensive services it can render. The largest imbalance in today's national transportation system is the underutilization of our railroads. A healthy and prosperous Amtrak can go far toward correcting this. We believe the Congress has the vision to see and move forward in this area.

An example of the shortsightedness which could lead to the death of Amtrak is the Department of Transportation recommendation that two of the original Basic System routes be eliminated—the New York-St. Louis-Kansas City route and the Chicago-Louisville-Florida route—and the Chicago-Newport and Chicago-Houston routes be adjusted", a term really meaning curtailment of service or discontinuance of it.

Yet the projections for the above-mentioned routes indicate a continuing rise in ridership just as the actual figures do. There can be a future increase if the service is not continued. The Administration has refused to release funds to permit the U.S.-Mexico international service to be established as Congress anticipated. Therefore, there still is no good service operated through St. Louis-Little Rock-Dallas-Fort Worth-San Antonio-Laredo.

A factor in the Mexican international service, as well as on other passenger routes, is the active resistance of certain rail carrier to the operation of Amtrak service over their lines. Although relieved by Congress of their claimed "financial burden" of operating their own passenger service, many roads continue to obstruct Amtrak. Slow orders, reduction in the permitted speeds of Amtrak trains to lower than that of 20 or more years ago, delays to meeting or running behind freight trains—all contribute to poor Amtrak operation performance. The Interstate Commerce Commission should be given authority to issue cease and desist orders to prevent such hampering of the national interest.

We further believe that Amtrak should have the authority granted by amendment to the Act to operate such trains over the tracks of non-member Amtrak roads as its President determines would be in the best interest of the passengers regarding speed, scenic interests, and passenger station location accessibility. Lack of such authority is currently crippling the operation of several trains and the chances for increased revenue on them.

Amtrak is needed. It can be successful and eventually will be quite profitable given sufficient funds for new equipment, special services in addition to regular

intercity services, speedy and frequent service which on most routes should be no less than twice daily in each direction and NEVER less than daily.

If the above changes can be incorporated into H.R. 8351 and the objectionable portions removed, we will support it. We will support any bill which can truly provide for a national rail passenger system which really serves this country and one of which Americans can be proud.

I should like to direct the attention of the Members to the committee print of the Senate Committee on Commerce dated June 8, 1973, which contains their approach to the Amtrak problem. The United Transportation Union thinks it is so far superior to the obviously anti-Amtrak DOT-Administration written H.R. 8351 as to bear no comparison. We think that some of the needed Amtrak powers in routes and increased schedules and services should be written into it, but basically it is a good bill.

This concludes my testimony, Mr. Chairman, and I thank you and the members of the Subcommittee for the opportunity to present our views today.

STATEMENT BY ROSS CAPON ON BEHALF OF THE FRIENDS COMMITTEE ON
NATIONAL LEGISLATION

My name is Ross Capon. I am Special Assistant for Railroad Operations to the Massachusetts Secretary of Transportation and Construction, but I file this statement as a private person speaking on behalf of the Friends Committee on National Legislation. I can indicate, however, that the views set forth are generally consistent with state policy, except that Massachusetts does not take a position regarding routes operated outside Massachusetts, New England, and the Northeast Corridor.

The Friends Committee on National Legislation is widely representative of Friends throughout the United States, having members drawn from 22 of the 28 Friends' Yearly Meetings in the country, but it does not purport to speak for all Friends.

In its Statement of Legislative Policy adopted February 21, 1972, the Friends Committee on National Legislation said regarding transportation:

We believe that mass ground transportation for people and goods is necessary to check or reverse the rapid increase in cars, trucks, and planes. This would: reduce air pollution; conserve the world's petroleum and other resources; reduce road congestion and save lives; reduce expenditures and increase efficiency; and preserve natural beauty and land.

Moderately priced transportation for the unemployed, aged, and minimum income people would give them and others better access to employment, health care, education, recreation, and religious gatherings.

We call for a major effort to build an effective mass ground transportation system. A single national transportation trust fund should absorb the Federal Highway Trust Fund and all other transportation funds. Decisions regarding mode of transit to be built or improved, wherever appropriate, should be made at regional, state, and local levels and not at the federal level alone. All methods of transportation and their human and environmental impact should be considered.

The Friends Committee on National Legislation supports continued Federal funding for Amtrak, the National Rail Passenger Corporation, as an important part of the national effort to develop a balanced transportation system. We believe that the establishment of Amtrak and the subsequent improvements in intercity rail passenger service is one of the most important positive accomplishments of the Nixon Administration. The public has responded—not only on the Metroliners, but systemwide: "Ridership (passenger miles) in the period May–November 1972 was 11% higher than in the corresponding period of 1971." (DOT Report to Congress on The Rail Passenger Service Act, p. 4) And the net cash loss estimated for FY 1973 is \$124 million, \$28.3 million less than for FY 1972. But the improvements to date pale to insignificance when contrasted with the magnitude of improvements needed. We urge the Congress and Administration to press for faster progress and to approve: Continuation of the Amtrak basic system through July 1, 1977; funding (under other legislation) for necessary track improvements where railroad companies are unable to finance them, and for implementation of the Northeast Corridor High-Speed Project.

In densely populated corridors, trains have or will become necessary because of both environmental and capacity considerations. DOT projections point to a significant growth in commercial travel: from 195 billion passenger miles in

1970 to 800 billion in 1990. Passenger trains will be the most efficient and least disruptive conveyances for handling a significant portion of those passenger miles. To attempt to absorb such increases without trains would impose unreasonable costs on society, especially in terms of consumption of land and energy resources.

In both corridor and selected long-haul operations, passenger train service is a desirable option for the traveling public because of superior safety records and the potential (already realized in some instances) of offering superior reliability, passenger comfort, and special services such as transport of the passenger's automobile on the same train. The Harris study commissioned by Amtrak showed that, by an 82-10 percent majority, respondents felt people should have the option of traveling by passenger train.

I have been a frequent user of both corridor and long-haul passenger trains for the past decade, and I can attest to the accomplishments of Amtrak within the past two years, commendable in view of the low quality of much of the service before Amtrak took control. Most obvious to the rail passenger have been: Promotional efforts; experimentation with fare policies which relate to the demand for and quality of various services; improved schedule connections and more equipment run-throughs between connecting routes, and the reflection of these in consolidated, well-designed public timetables; dining car service improvements; one consistently gets good meals at reasonable cost (although this is not true in the snack bars); gradual appearance of refurbished cars in service; consolidation of operations at Chicago Union Station to eliminate inconvenient station transfers between trains.

Unfortunately, schedule reliability is still a problem for Amtrak, and is a major obstacle to ridership growth. Many people, enticed back to the rails by Amtrak ads, are once again saying they will never ride another train because they experienced a major delay. Delays resulting from equipment malfunctions will gradually be minimized as Amtrak's capital program continues, as will other problems in areas Amtrak controls. But poor dispatching, inadequate track maintenance, and signal systems vulnerable to bad weather, are beyond Amtrak's control and may require institutional changes to correct. The Amtrak legislation is perhaps not the proper vehicle for instituting such changes, but we would like to voice support for consideration of a Federal takeover of railroad rights-of-way along with the dispatching and maintenance functions. This would seem to be an appropriate method for putting rail transportation on an equal footing with other modes, for aiding bankrupt railroad companies without simply preserving the status quo, and for improving the on-time performance of Amtrak trains. After an initial Federally-funded program to restore track to appropriate standards, maintenance-of-way would be financed from user charges paid by Amtrak, freight railroads, commuter operations, Auto-train, etc. Railroads would be allowed the option of not participating if they maintained certain standards.

The present Amtrak network is very limited. Several corridor routes have infrequent, slow service. Others have no service, and Cleveland is not even on the network. An area such as Ohio, with several large cities, would surely have a well-developed inter-city passenger rail network if located in any other country.

It is tempting to call for immediate restoration of service on many lines not presently in the Amtrak network. We would strongly support action of that nature if it were taken. However, with the Administration advocating reductions in the network, we feel constrained to take a moderate position: the basic network designated in 1971 should be continued for four years to prevent elimination of any routes before they have received a fair trial.

Thus we specifically oppose DOT's recommendation for elimination of the Chicago-Florida, New York-Kansas City, and Richmond-Norfolk segments. As reflected in the chart on page 24 of the DOT report, the on-time record of the two major routes has been poor:

	Chicago- Florida	New York- Kansas City
3d quarter 1971.....	64.7	37.5
4th quarter 1971.....	25.6	44.5
1st quarter 1972.....	45.0	40.1
2d quarter 1972.....	65.8	33.0
3d quarter 1972.....	67.9	25.4
4th quarter 1972.....	45.3	10.8

Performance of the Kansas City run has been hampered during the past year by temporary problem: added freight traffic using the passenger mainline through Harrisburg after a hurricane interrupted traffic on the normal freight route by destroying a bridge. The eastbound Kansas City train is so consistently late that it has been removed from the Philadelphia-Harrisburg timetable and an extra silverliner running on approximately the same schedule has been added. The financial performance of the NY-Kansas City route could be improved with the elimination of the tri-weekly through car to/from Washington with affected passengers changing in Philadelphia. Finally, it should be noted that the two major cities for which this is the only train (Dayton and Columbus) are served under the present schedule at extremely inconvenient hours.

That the Chicago-Florida service has not received a fair trial is evidenced by Amtrak's decision to sue the Louisville and Nashville Railroad "for \$1.2 million in damages for loss of potential revenue, added operating costs, and damage to its reputation. . . . Amtrak says it lost 2 hours 13 minutes a day on the average over the L&N portion of its run during the first quarter of this year, for an average speed of less than 39 mph, or about 2 hours longer than competing bus time." (From Rail Travel Newsletter, Vol. 3, No. 10, May 1973, page 3).

The current Chicago-Florida schedule calls for layovers in Jacksonville of 3½ hours southbound and 2 hours 20 minutes northbound, evidently a cushion against late performance. The DOT report laments that projected demand does not justify investments to achieve significant speed improvements between Indianapolis and Jacksonville. However, improved performance by the railroads combined with upgrading of the Chicago-Indianapolis segment, which should be undertaken in any event, would permit an improvement in service at minimal cost. This would be in stark contrast to the prospect envisioned in the DOT report: rerouting the service and lengthening the running time again, to about 40 hours. (Chicago-Miami was 33.50 in May 1971.

DOT envisions routing Chicago-Florida traffic via Richmond, Virginia, as a method of helping an otherwise "marginal" segment, the present Chicago-Norfolk route. However, this route is hampered by bad track and performance between Chicago, Indianapolis, and Cincinnati. With proper upgrading of operations in that corridor, reliability—particularly of eastbound trains—should improve on the entire line making the service more attractive.

It is clear that these routes have not received an adequate test of their potential. Nevertheless, DOT reports a 78% increase in ridership on the NY-KC route (May–November '72 vs '71). Continuation of the routes for another four years would also give them the benefit of the new reservations systems which has not yet been fully installed, as well as whatever additional improvements Amtrak plans systemwide to improve cost-effectiveness. Finally, it seems wise in terms of diplomacy with railroad managements to avoid encouraging the view that bad performance is to be rewarded by Federal approval for discontinuing the trains.

However, we support an amendment eliminating the requirement that through cars be operated between end points, perhaps with the proviso that connections be possible during daylight hours. This would permit elimination of the Washington-Kansas City coach (noted earlier), and would give Amtrak the freedom to orient the Norfolk service more logically towards NY-Washington rather than Chicago.

(For a much more thorough discussion of routing possibilities, we recommend the testimony of Anthony Haswell, chairman of the National Association of Railroad Passengers, which we generally support. We also urge serious consideration of NARP's proposals to alter the method of selecting directors, provide specific funding for Chicago-Indianapolis-Cincinnati and Louisville route improvements, increase funding for state-assisted operations, and granting priority to passenger trains.)

Northeast Corridor: The DOT report outlining major capital improvements which could be made to this service has lain dormant for too long. Dramatic improvements in Boston-NY-Washington service are needed more urgently than in other U.S. corridors. But such improvements would benefit other regions of the U.S. by demonstrating the vast untapped potential for passenger trains and creating a political environment favorable to the development of the nationwide truly modern network which Amtrak must become if it is to survive.

FARMINGDALE, N.Y., December 26, 1972.

HON. BROCK ADAMS,

Member of Congress from Washington, and Member, House Committee on Interstate and Foreign Commerce, House Office Building, Washington, D.C.

DEAR CONGRESSMAN ADAMS: You may perhaps remember me from my appearance as a private citizen before the House Subcommittee on Transportation and Aeronautics on November 10, 1971, testifying on the Amtrak funding bill, H.R. 11417.

I told the Subcommittee that I felt that, although Amtrak had generally done a good job during their first six months of operation, yet they had fallen short of meeting their mandate for public service and long-range economic visibility.

This I attributed to two factors:

- (1) A timidity engendered by their inadequate initial funding, and
- (2) A basic misunderstanding, on the part of both the Department of Transportation and Amtrak, of the true nature of rail passenger service requirements and markets, as distinguished from those of the airlines—from which latter had come many of the people who had set up the basic Amtrak system.

As a case in point with which I was personally very familiar, I cited New York-Montreal service. Amtrak had dropped the only route, via Albany, and was then merely awaiting a subsidy from New York State for its restoration. I claimed that such restoration would not meet the public need, and would injure Amtrak's long range financial interests, since the Albany route, because of sparse population enroute and lack of through connections, would continue to be a loss operation.

Instead I proposed that Montreal service be restored via a route that had been discontinued in 1966, through New England, with connections to Washington through Penn Station in New York, claiming that this route would serve a great public need and would become profitable after a short period of development.

I suggested that the failure of Amtrak to implement my proposal of July 26, 1971 was due largely to unfamiliarity on the part of the D.O.T. and Amtrak's new staff with the realities of rail passenger markets, and their unwillingness to explore the possibilities because of lack of money and thinness of staff.

While the Montreal situation was the only one with which I had such familiarity, I feared there were other similar situations elsewhere in the country, and asked that Congress provide Amtrak with sufficient funds to meet more fully the real nationwide public need, and with emphasis on long range financial viability rather than on expedients such as the Albany route subsidy.

The Subcommittee gave me a generous hearing, and added \$2 million annually to Amtrak's financing to provide International Service including Montreal, but left the choice of routes to Amtrak's managerial prerogative. The civic campaign for the New England route culminated in the appearance on June 8, 1972 of 10,000 Vermonters in rain and thunderstorm to welcome Amtrak's inspection train, and ended with Amtrak's announcement on August 24, 1972 of their selection of the New England route, on which service between Washington, New York, and Montreal began on September 29, 1972.

As you know, the Record of the Subcommittee hearings on H.R. 11417 reveals that the D.O.T., in its preparations for the initial Amtrak system, considered Montreal service, both via Albany and via New England. But despite recommendations for Montreal service by the Interstate Commerce Commission, the National Association of Railroad Passengers, the Railroad Brotherhoods, and Governors and Congressional Delegations, the D.O.T. rejected their requests and declined to include Montreal in the Basic System, citing their own studies and the several reasons which convinced the D.O.T. that Montreal service was not feasible.

When Amtrak started out, it naturally accepted the D.O.T. position. Last winter, when our campaign for Montreal service via New England forced Amtrak into more detailed consideration of the matter, they wrote to Senators Buckley, Javits, and Stafford that while they agreed with my cost figures, they felt I was over-optimistic in projecting a patronage of 100 each way daily, saying it was their experience that it would take several years to reach this level. They reported that a "preliminary analysis" based on a more realistic 50 each way daily via Albany and "an optimistic 75 each way via New England" projected a loss of \$870,000 annually via New England, versus \$383,000 loss via Albany.

During discussions with Amtrak, I learned that some of their pessimism for the New England route was based on incorrect data indicating ridership of only

50 daily in 1965; neither the D.O.T. nor Amtrak had been aware of the existence of I.C.C. Finance Docket 24000 of June 1966, which stated that the 1965 ridership had averaged 259 daily.

Only when Montreal service became mandated by law did Amtrak devote the time of their limited staff to a serious, in-depth research effort. At this point, their Marketing, Planning, and Operating groups made separate studies, and they found that we were indeed on sound ground in our claims for the New England route. In their official announcement of start of service, their conclusions read almost word for word like the arguments in our original Proposal, submitted to them some thirteen months before.

Now, in their first three months of operation, "The Montrealer" and "The Washingtonian" have turned out to be Amtrak's most spectacular success story.

Amtrak budgeted the trains on the same basis that I had proposed—100 each way daily average, 73,000 riders a year, as the break-even point. They set up a different fare structure, based on their marketing experience on other routes, and also a considerably more expensive minimum train than I had proposed. Their first year estimates were for Revenues of \$2,400,000, Costs of \$2,800,000, Loss of \$400,000; and they expressed the hope that in future years the loss would be wiped out.

Actual results during the first 65 days of regular operation (10/1/72 through 12/4/72) are over three times Amtrak's expectations. I am attaching a Comparison of Budgeted versus Actual and Projected Performance, covering this period.

Based on normal seasonal distribution of passenger loads, the trains were budgeted to carry 8,422 passengers, an average of 65 each way. October and November, except for Thanksgiving, are among the highest rail travel seasons. Later on in the year, normally heavier bad-weather and vacation seasons would bring heavier patronage that would raise the year's average up to the budgeted figure of 100 each way.

Instead, the trains actually carried 27,940 passengers, an average of 215 each way, and the bad-weather, vacation, and ski seasons had not yet arrived as of December 4.

While rejoicing in the amazing patronage, Amtrak's staff has been under heavy pressure trying to cope with it, since their budget had called for spartan services at the outset. They are literally grabbing every coach they can get their hands on, and now have 9 extra coaches regularly assigned to the run. They are negotiating with CN for 8 additional sleepers. They have increased the dining car crew from 3 to 5, and have added a full length lounge car to make room in the diner for those who want to eat. They are opening seven waiting rooms in Vermont, and are hiring 5 ticket agents to staff the busiest ones. The length of the trains they are now operating—14 cars instead of 5—has overloaded the steam heating capacity of their old Penn Central diesels and they have had to rent a steam generator car from CN. They have even had to assign an all-night clerk in Penn Station to handle the inward WATS lines from Northern New England, on which they are now receiving 160 calls a day. All this is just to handle the regular business that has swamped them. The Lord only knows what the ski season will bring!

Because of these moves to beef up their service, and because of Montreal terminal and car rental costs higher than expected, their costs have gone 35% above budget. But their revenues are 331% of budget, their 75% load factor is higher than any airline's, better even than the Metroliners, and there is no question that these are the most successful trains in Amtrak's short history.

If patronage continues as it has during the first 65 days, then with normal seasonal distribution for the first year they will carry 175,000 passengers instead of 73,000. Annual revenues will be \$5,800,000 instead of \$2,400,000 and despite the 75% increase in costs, there will be a \$2,000,000 profit instead of the budgeted \$400,000 loss.

"The Montrealer" and "The Washingtonian" alone will repay every cent of the \$2 million Congress authorized for all three International Services. Congress made no mistake in providing the seed money.

My purpose in writing to you is not to say, "I told you so," although I admit to being gratified to see my position supported by results.

It is rather because of my concern over the approach of Amtrak's first major check-point, June 30, 1973. On that date Amtrak must submit to the Congress its recommendations for the future of the national rail passenger system. And, on that date Amtrak will for the first time be free to make reductions in the Basic System, should it so recommend.

I should like to submit through you to the Congress, that in my opinion the June 30, 1973 recommendation and decision date is premature.

I do not believe that Amtrak, by that date, will yet have been able to make sound recommendations and decisions on the truly essential rail passenger service for the Country.

I do not wish in any way to imply that I question the competence of Amtrak's management or its staff. After another year, and another 57,000 miles of travel via Amtrak, I am happy to repeat my testimony of last year, that I find all the Amtrak personnel with whom I have come in contact, from Roger Lewis, their president, down to the newest ticket seller, dedicated, working to the limits of their time and energies, and well qualified for their respective assignments.

Indeed, I feel that Amtrak is still understaffed. There is no need to recite the problems they inherited from the railroads—an experienced rail traveler suffered through them before Amtrak, and is aware both of Amtrak's progress and of the long way they still have to go, just to get the trains running right and the customers taken care of properly.

On the original Network, Amtrak has had its hands full monitoring and correcting, as best it can with too limited finances and staff, the deficiencies of services that at least were already in operation when Amtrak took over. The overwhelming success of the Montreal trains has brought into sharp focus the great weakness of their organizational structure when faced with the special problems of adding a completely new route. The New England newspapers and Congressional Delegations have made Amtrak well aware of the hardships the public is still suffering just because of the overlong time it is taking to expand the spartan facilities and services provided at start-up.

Along with the unusual demands on the staff caused by the unexpected success of the Montreal service, the general system-wide increase in patronage is also spreading Amtrak's personnel thin. In any company, a boom in business necessarily diverts management attention away from advance planning into immediate operational problem-solving. From personal contact, I feel that this is the case right now in Amtrak, and will likely be for the foreseeable future.

Rather than a matter of Amtrak's staff capacity and competence, I feel the issue is far more basic. It is a question of how the national rail passenger network is to be appraised. What factors will be considered? What measures will be applied to those factors? How will the judgments be made? I think the Montreal case illustrates this point, and should provide an urgent warning to Congress.

The structure of the Basic System—and the exclusion of Montreal from the initial network—was based on D.O.T. studies of performance of existing routes and trains. Those trains running in August 1970 were surveyed; the ones with heaviest ridership were retained, the others were dropped. Trains not running in August 1970—for whatever reason they had been discontinued—were just ignored. The New England trains north of Springfield had been gone since 1966, so their riders of course were not counted.

Let us look at how the D.O.T. considered New York-Montreal service via New England, as shown on pages 165 and 237 of the Subcommittee's report, Serial No. 92-53.

The historic through New York-Montreal route is broken into three segments, each considered without relation to the others: New York-Boston; New Haven-White River Jct.; and Boston-Montreal via White River Jct. New York-Boston was included in the Basic System. The other two segments were rejected for these reasons: Insufficient Ridership; Insufficient Population; Inability to Compete with Alternate Modes; Incapability of Track or Facilities to Handle Passenger Service; Lack of Prospective Profitability; and Lack of Authority to Compel a Foreign Carrier to Provide Passenger Service (—with no mention of the possibility of negotiation in place of compulsion!).

In light of subsequent events, the D.O.T.'s consideration of this service would be laughable, were it not so pitiful a failure to make the sound appraisal that the public interest of an important part of the country required of them.

The D.O.T. was colossally wrong in omitting Montreal. It was wrong on every point it considered. We private citizens were right—and so was Amtrak when they later really studied the case—but it took a 13-month massive private citizen effort to correct the D.O.T.'s error.

From what I have learned in the course of that 13-month effort, I submit that the original D.O.T. appraisal of Montreal service was both superficial and incompetently done. By contrast, we private citizens did the job the D.O.T. should have done. We developed the factual information that rebutted every one of the

D.O.T.'s points, and the actual performance of "The Montrealer" and "The Washingtonian" confirms that the criteria we used were valid, not those used by the D.O.T.

Since the criteria on which the D.O.T. based its rejection of Montreal service were the same it used in its appraisal of the entire national rail passenger system, I suggest that the entire Basic Network rests on just as superficial a foundation. Let us not have a similarly superficial review of the national system presented under pressure of time to meet a June 30, 1973 deadline.

Since Amtrak took over, it has had to concentrate its efforts to making the most of what it was handed by the D.O.T. Its activities have reversed the historic downward trend in ridership on the lines it is operating. Equipment has been upgraded, service has become more reliable. Amtrak has indeed been doing a good job, against a heritage of twenty years of neglect.

But to date this effort has been addressed only to improving performance on lines that were already in existence from Amtrak's beginning—with the sole exception of the Montreal service. Only here has Amtrak reached beyond the D.O.T.'s superficial parameters, and made a thorough analysis of all alternatives. And Amtrak has also publicly stated that most of the information available to them came from our private citizen group. I understand that similar studies are presently under way relative to the Mexican service, and there too private citizen groups have supplied key information to Amtrak.

I feel confident that if given the time and money, Amtrak's staff will eventually be able to make, country-wide, the same kind of intensive study, with the cooperation of other civic groups in developing significant information, that they finally made regarding Montreal service. Our effort took 13 months, but we were the pioneers, and other studies will take much less time than that.

But I do not believe the entire nation's rail passenger needs can properly be researched and evaluated, as thoroughly as the Montreal route was researched and evaluated, with all of Amtrak's current problems and diversions of energies, between now and June 30, 1973.

And after seeing Northern New England deprived of a rail passenger service that so obviously was needed, for such a long time and on such a flimsy basis, I do not believe the Country's interests will be served by hasty decisions on service based on mere statistical analyses of existing routes.

I therefore urge that Congress delay the June 30, 1973 deadline. I urge that Congress give Amtrak the mandate, and the wherewithal, to undertake throughout the country the same kind of thorough reappraisal that our private citizen effort brought about in the Montreal case. And I urge that Congress not allow changes in the Basic System until such thorough reappraisal has been made for each instance.

Finally, I urge that Congress continue to fund Amtrak sufficiently that they may continue and speed up their improvements to existing service, because they still have a long, long way to go.

I should appreciate your bringing my comments to the attention of Chairman Staggers and the other Members of the Committee. Should there be any further information you may desire and that I may be able to supply, I shall be happy to do so.

Sincerely yours,

JOSEPH V. MACDONALD.

[Enclosure.]

AMTRAK "THE MONTREALER" AND "THE WASHINGTONIAN" COMPARISON OF BUDGETED VERSUS ACTUAL AND PROJECTED PERFORMANCE (BASED ON FIRST 65 DAYS OF OPERATION: OCT. 1, 1972 TO DEC. 4, 1972 INCLUSIVE)

TABLE 1.—RIDERSHIP

Season	Budgeted train loads (each way)	Budgeted 65 days		Budgeted 1st year	
		Number of days	Passengers each way	Number of days	Passengers each way
Lightest.....	49	59	2,891	105	5,145
Normal.....	98			190	18,620
Heavy.....	162			30	4,860
Heavier.....	184	4	736	30	5,520
Peak.....	292	2	584	10	2,920
Total each way.....		65	4,211	365	37,065
Multiply for both ways.....			×2		×2
Total both ways.....		65	8,422	365	74,130
Nominal.....					73,000
Average each way daily.....			65		100
Average both ways daily.....			130		200

Season	Actual train loads (each way)	Actual 65 days		Projected 1st year	
		Number of days	Passengers each way	Number of days	Passengers each way
Lightest.....	186	45	8,370	105	19,530
Normal.....	200	14	2,800	190	38,000
Heavy.....	400	4	1,600	60	24,000
Heavier.....					
Peak.....	600	2	1,200	10	6,000
Total each way.....		65	13,970	365	87,530
Multiply for both ways.....			×2		×2
Total both ways.....		65	27,940	365	175,060
Average each way daily.....			215		240
Average both ways daily.....			430		480
Percent of budget.....			331		240

Note: Budget: 100 passengers each way daily, year-round average, total 73,000 passengers annually. First-year revenue \$2,400,000, first-year costs \$2,800,000, first year loss \$400,000.

TABLE II.—FINANCIAL RESULTS

	Budgeted 65 days	Budgeted 1st year
Ridership.....	8,422	73,000
Revenue at \$33 per passenger.....	\$277,926	\$2,400,000
Costs.....	(¹)	\$2,800,000
Profit (loss).....	(¹)	—\$400,000

	Actual 65 days	Projected 1st year
Ridership.....	27,940	175,060
Revenue at \$33 per passenger.....	\$922,020	\$5,776,980
Costs (budget plus 35 percent).....	(¹)	\$3,780,000
Profit (loss).....	(¹)	\$1,996,980

¹ Not applicable.

Note: All figures are informal and unofficial.

* * *

[From the Burlington Free Press, Aug. 25, 1972]

MACDONALD'S EFFORTS PAY OFF!

(By Betty Sproston)

One man sparked the restoration of passenger service in Vermont and worked relentlessly for it for more than a year.

On July 7, 1971, Joseph V. MacDonald read a newspaper story on his way to work at the Continental Can Co. in New York City about Amtrak's decision to resume passenger service between Boston and New York via New Haven, Conn., Springfield and Worcester, Mass.

MacDonald is a native Vermonter, born in St. Albans. He completed high school and then was graduated from the University of Notre Dame, South Bend, Ind., in 1936.

His father and two of his uncles were locomotive engineers on the Central Vermont Railway running between Montreal and White River Junction. During his schools years, MacDonald worked as a messenger in the telegraph office of the CV and was a timekeeper during vacations.

"These are my sole connections with railroading, but the interest generated back there stayed with me," declared MacDonald, who is corporate buyer of capital equipment in the head office of Continental Can.

He travels thousands of miles a year by rail. He does not fly. So far this year, his business travel by rail totals about 40,000 miles.

As a result, he believes, during some 31 years of business travel by rail he has gained an awareness of what is happening among railroads that is shared by few business people.

He was perhaps the only person reading that New York Times story who knew key facts and would be in a position to put forth a proposal to Amtrak.

"My efforts have been as a private citizen and as a public service. I have no other interest in the matter, financial or otherwise," declared MacDonald.

He realized the new Inland Route train would cross the Central Vermont tracks at Palmer, Mass., 14 miles east of Springfield. If Montreal cars could be coupled to the rear of the New York-Boston train via Springfield and Worcester, and uncoupled at Palmer, the CV could haul them from Palmer to White River Junction, and on to Montreal.

This would mean a restoration of the Montrealer-Washingtonian service, abandoned in 1966.

"As a native Vermonter, I felt I had no choice but to look into the matter, to see whether a viable service could be proposed," he said.

Thus MacDonald dug up figures on operating costs, on historical patronage—innumerable legal and financial facts. On July 26, 1971, he completed a 29-page business proposal entitled, "A Proposal for Through Rail Passenger Service New York—Montreal, via the Penn Central, Central Vermont and Canadian National, via Palmer, Mass."

He submitted it to Amtrak, to railroads, to state and federal officials, to leading newspapers in the East.

The proposal demonstrated that with patronage of 100 each way daily the service would more than break even.

From then on, MacDonald said there wasn't a free evening or weekend for him. His correspondence used up 20 boxes of typing paper. In the meantime, he continued his considerable responsibilities for Continental Can, and traveled on trains across the country.

MacDonald said the first significant reaction to his proposal came in a story Aug. 10, 1971, in The Burlington Free Press, followed by an editorial on Sept. 4, calling on Vermonters and their governmental representatives to support the proposal.

Amtrak invited MacDonald to discuss the proposal with James W. McClellan, then its manager of marketing development. He spent four hours with McClellan, updating him on the New England situation.

"But even more significant than the visit to Amtrak was the story The Burlington Free Press put on the AP wire that day, telling of the visit. It caught the eye of a group of transportation chairmen of Chambers of Commerce in New Haven, Meriden, Hartford, Springfield and Worcester who were meeting in Hartford," said MacDonald.

Next day, they called MacDonald to join forces.

"From then on, public support snowballed. Roger Lewis, Amtrak president, wrote, "We have been flooded with petitions, letters and data supporting the Connecticut Valley route as a result of Mr. MacDonald's efforts."

MacDonald was one of the two public witnesses asked to testify on additional funding for Amtrak, to include Canadian service. Originally allowed only 10 minutes, he was held for 45 minutes of questions.

"The victory belongs to the whole state of Vermont, and I am most grateful to all who lent their encouragement and support in our 13-month campaign. I'd like to say a special word about the wonderful support The Burlington Free Press gave to our efforts," declared MacDonald.

"I would also like to mention the hard-working team of Carl Monaghan of St. Albans, Herbert Ogden of Hartland, and Jim Ullman of the Greater Meriden Chamber of Commerce," he added.

"Congratulations to every one of the 10,000 people who came out June 8 to show Amtrak that the New England route is truly the people's choice!"

They spoke so strong and clearly that a route that was not even in the consciousness of Amtrak planners 13 months ago is now an actual fact.

* * *

[From the Springfield Union, Sept. 16, 1972]

HARD WORKER GETS REWARD

A New Yorker whose heart always remained in his native Vermont yesterday received special commendation from the New England Governors for his part in restoring the Montrealer to the Connecticut Valley. Joseph V. MacDonald was given a public service award at the New England Governors Conference yesterday at the Eastern States Exposition. MacDonald lives in Farmingdale, N.Y., but works in New York City.

He was commended for his work in convincing AMTRAK to route rail passenger service to Montreal through the Connecticut Valley. The New England route from New York City was selected over a rival route through upper New York via Albany.

"He has worked harder, been more persuasive, written more letters and traveled more miles than anyone else involved in this effort," Massachusetts Gov. Francis W. Sargent said in presenting MacDonald with a plaque.

In thanking the governors for the honor, MacDonald said he had left a technical meeting at the Continental Can Co., where he works, in order to be at the conference.

"I could always get another job," MacDonald said, "but only once in a lifetime will I get something like this."

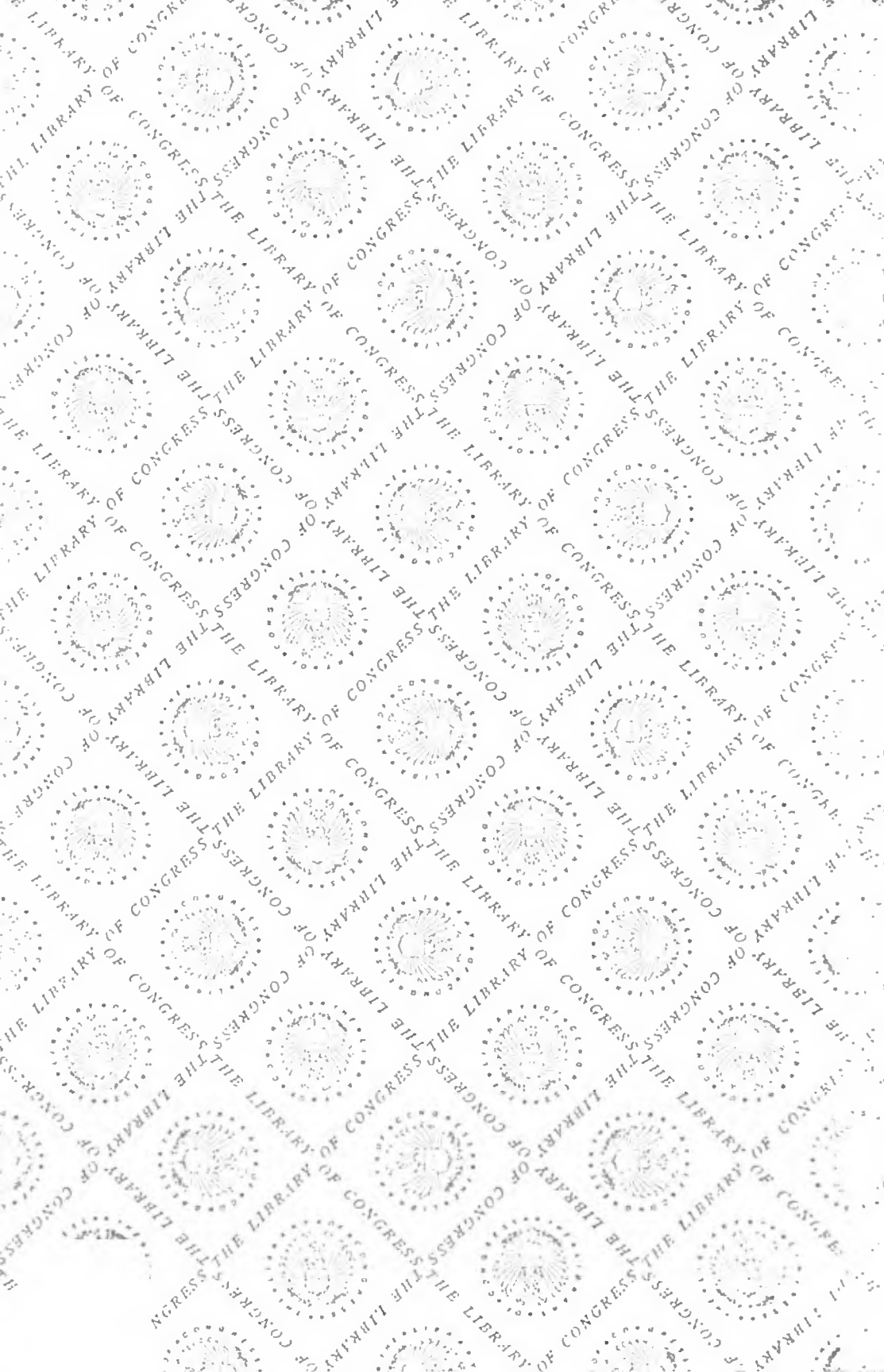
MacDonald introduced his wife who was with him to the five New England governors who were at the meeting. Gov. Kenneth M. Curtis of Maine was absent. He was in his home state greeting presidential candidate George McGovern.

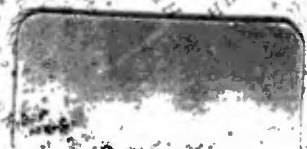
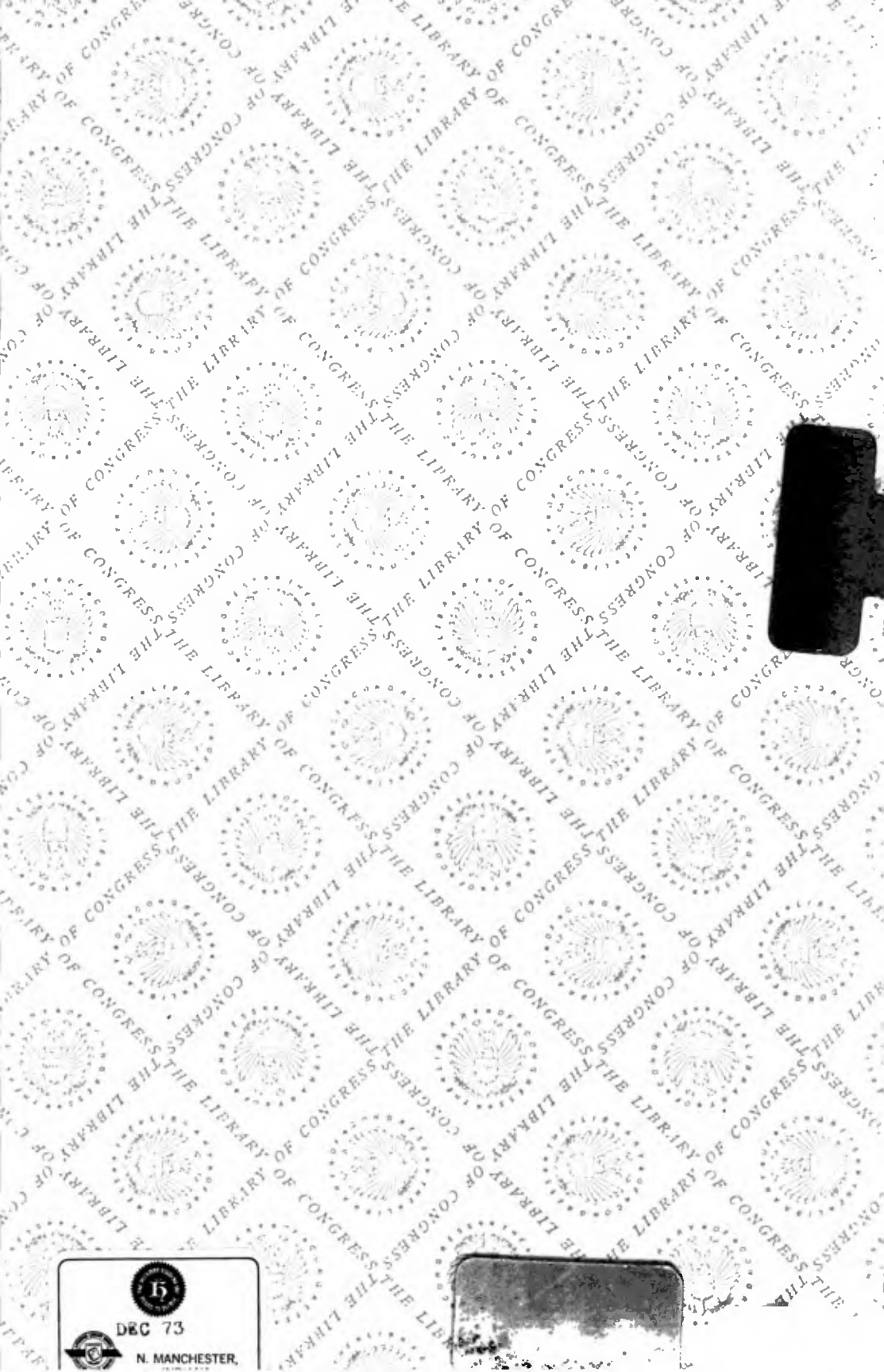
MacDonald is a native of St. Albans, Vt., who has worked tirelessly for restoration of the Montrealer to New England.


[Whereupon, the subcommittee adjourned at 12:15 p.m.]




H43 74 







DEC 73



N. MANCHESTER

LIBRARY OF CONGRESS



0 007 909 969 7

